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The "Belt and Road Initiative" and China's grand strategy making how China transforms itself into the "Center of Production and Trade" and a "Norm-Maker"

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The “Belt and Road Initiative” and China’s Grand Strategy Making

**How China Transforms itself into the “Center of Production
and Trade” and a “Norm-Maker”**

Junzhi Liu

**Thesis submitted for the degree of Doctor of Philosophy to the
Department of War Studies, King’s College London**

April 2020

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Abstract

Since the Belt and Road Initiative (BRI) began dominating China's diplomatic agenda from 2013, this topic has attracted a substantial amount of scholarship to interpret China's strategic motives. Most have adopted a bottom-up perspective to analyze the BRI and have illustrated its objectives, feasibilities and risks. However, they tend to become mired in the "blind men and an elephant" dilemma that focuses on details but overlooks the bigger picture. Therefore, this thesis adopts a grand strategy approach and a top-down perspective, seeking to build a conceptual framework to understand China's strategic actions in a coherent logic and define the BRI in this framework. This study is dedicated to interpreting how the BRI serves China's grand strategy, elaborating the logic of the BRI, enumerating the objectives of the BRI and elucidating the relations between the BRI and other diplomatic actions of China.

This study argues that China's ultimate strategic pursuit of "the great rejuvenation of the Chinese nation" is mainly aimed at becoming "the center of production and trade" in material terms and "a norm-maker" in conceptual terms, as well as reaching a basic strategic balance with the US. Primarily speaking, the BRI is designed to reshape China's economic geography by "better connectivity" with overseas markets, placing China in the center of the Eurasian logistics network and making China a "two oceans country" bordering both the Pacific Ocean and the Indian Ocean. In parallel with the domestic struggles for an overall industrial upgrade, the BRI aims to help China reach more upstream resources and energy supplies and trade them in a de-dollarized way, which would enable China to build a global production network centered on its productive capacity, technology and demands and denominated in the RMB. In this way, US influence is expected to be marginalized in the long run. Additionally, China aims to define a governing approach with development-oriented norms and performance-based legitimacy through the BRI, as an alternative to the prevailing neoliberal

Washington Consensus, which elevates China to be a norm-maker in global governance. In a broader sense, the BRI signals the third transformation of China's grand strategy and diplomacy, whereby China seeks to reshape its international surroundings actively, rather than adapt to it passively as before. This is demonstrated by China's resort to the UN-led post-war international order as the source of legitimacy to challenge the universalism of the US-led liberal international order.

China's upgrading industrial structure and expanding overseas interests are expected to encroach on the vested interests of other great powers. For this reason, China vows to create more shared interests with those great powers by its growing purchasing power, opening-up market and cooperation within the BRI framework, in order to stabilize the relations and earn their support to make the BRI a shared platform with joint efforts for global development. Meanwhile, as the Sino-US clash of interests is largely structural, China is prompted to encourage other great powers to distance their policies from the US ones, in the hope of forming a "united front" with them against the US on some issues. This paves the way for a multi-polarized world, which is predicted to undermine US global leadership and facilitate China to reach a strategic balance with the US.

The main contribution of this thesis is establishing a comprehensive framework for analyzing China's grand strategy. Thanks to this grand strategy framework, this thesis identifies China's major strategic objectives, around which its manifold, disconnected and seemingly self-contradictory strategic actions can be interpreted in a coherent logic. From this top-down angle, it is easier to reach a holistic understanding of the BRI by embedding it in China's grand strategy. The BRI's objectives and scope can also be delimited more definitely from other policies', allowing scholars and policy-makers to reach a more comprehensive and accurate comprehension of the BRI. Likewise, this thesis builds grand strategy frameworks to analyze other great powers' strategic actions, in order to point out the shared interests and flashpoints between China and other great powers. Thus, this thesis demonstrates how the BRI facilitates China to stabilize and advance the relations with these great powers.

Abbreviations and Acronyms

A2/AD	Anti-Access/Area Denial
ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
B2B	Business-to-Business
BCM	Billion Cubic Meters
BIS	Bank for International Settlements
BOP	Balance of Payments
BRI	Silk Road Economic Belt and the 21 st Century Maritime Silk Road Initiative
CAFTA	China-ASEAN Free Trade Area
CDB	China Development Bank
CDR	China Depository Receipt
CEE	Central and Eastern European countries
CFIUS	Committee on Foreign Investment in the United States
Chexim	Export-Import Bank of China
CIPS	Cross Border Interbank Payment System
CIS	Commonwealth of Independent States
CMEC	China-Myanmar Economic Corridor
CNSC	Central National Security Commission
CPC	Communist Party of China
CPEC	China-Pakistan Economic Corridor
CR express	China Railway Express
CSG	Carrier Strike Group

DFI	Development Finance Institution
ESG	Expeditionary Strike Group
EWTP	Electronic World Trade Platform
FDI	Foreign Direct Investment
FTA	Free Trade Agreements
GACC	General Administration of Customs of the PRC
GCC	Gulf Cooperation Council
GVC	Global Value Chain
IEA	International Energy Agency
IoT	Internet of Things
IPE	International Political Economy
IPO	Initial Public Offering
IR	International Relations
IRBM	Intermediate Range Ballistic Missiles
LIO	Liberal International Order
LNG	Liquefied Natural Gas
M&A	Mergers and Acquisitions
MNC	Multinational Corporation
MoU	Memorandum of Understanding
MSR	21 st Century Maritime Silk Road
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
NDB	New Development Bank
NSR	Northern Sea Route
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of the Petroleum Exporting Countries
PBC	People's Bank of China
PIO	Post-war International Order

PLA	People's Liberation Army
PLAAF	People's Liberation Army Air Force
PLAN	People's Liberation Army Navy
PLARF	People's Liberation Army Rocket Force
PPP	Purchasing Power Parity
PRC	People's Republic of China
Quad	Quadrilateral Security Dialogue
R&D	Research and Development
RCEP	Regional Comprehensive Economic Partnership
RQFII	RMB Qualified Foreign Institutional Investor
SCO	Shanghai Cooperation Organization
SCS	South China Sea
SDR	Special Drawing Right
SLOCs	Sea Lines of Communication
SMEs	Small and Middle Enterprises
SOE	State-Owned Enterprise
SREB	Silk Road Economic Belt
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TCM	Trillion Cubic Meters
TEU	Twenty-Foot Equivalent Units
THADD	Terminal High Altitude Area Defense
TPP	Trans-Pacific Partnership
UNSC	United Nations Security Council
WIPO	World Intellectual Property Organization
WTI	West Texas Intermediate
WTO	World Trade Organization

Chapter One: Introduction

1.1 Literature Review and Research Questions

On September 7th of 2013, China's supreme leader Xi Jinping proposed the Silk Road Economic Belt (SREB) at Nazarbayev University, Kazakhstan for the first time.¹ One month later, on October 3rd, Xi Jinping gave a speech to the Indonesian Parliament, illustrating the 21st Century Maritime Silk Road (MSR) for the first time.² These two initiatives were titled jointly as the Silk Road Economic Belt and the 21st Century Maritime Silk Road Initiative, or the Belt and Road Initiative, One Belt One Road, OBOR, and BRI as abbreviate and acronym.

The BRI has been singled out as the most important feature of China's foreign policy since it was proposed. At the governmental level, the central government of China set up the Leading Group of Propelling the BRI Construction (推进一带一路建设工作领导小组) to coordinate a wide array of departments and institutions to make concerted efforts. At the nongovernmental level, this significant initiative has become a hot topic for the people from intelligentsia to grassroots masses, seeking to explore the BRI's underlying strategic purposes.

The BRI has also caught the imagination of scholars outside China. They are inclined to compare the BRI with the Marshall Plan (officially the European Recovery Program, ERP), organized by the US after World War II.³ Despite the fact that these two plans seem to share a wide range of common points, such historical analogies are more

¹ Ministry of Foreign Affairs of the PRC, Xi Jinping's speech in Nazarbayev University (full text), http://www.fmprc.gov.cn/mfa_chn/ziliao_611306/zt_611380/dnzt_611382/ydyl_667839/zyxw_667918/t1074151.shtml

² Ministry of Foreign Affairs of the PRC, Xi Jinping's speech in Indonesian Parliament (full text) http://www.gov.cn/jdhd/2013-10/03/content_2500118.htm.

³ Financial Times, In charts: China's Belt and Road Initiative <https://www.ft.com/content/18db2e80-3571-11e7-bce4-9023f8c0fd2e>; Simon Shen, How China's 'Belt and Road' Compares to the Marshall Plan <http://thediplomat.com/2016/02/how-chinas-belt-and-road-compares-to-the-marshall-plan/>; Wall Street Journal, China's 'Marshall Plan': Xi Jinping bids to take leadership away from the US, <http://www.wsj.com/articles/chinas-marshall-plan-1415750828>.

misleading than illustrating. They are entirely contrasting regarding the background, specific content, implementation procedure and motive, though the latter serves the BRI as a valuable object of reference.⁴ Rather, for better understanding the strategic logic behind the BRI by comparing it with similar initiatives in history, it appears that the Baghdad Railway Project before World War I and “The Great Game” between the British Empire and the Russian Empire in the late 19th century might be more helpful. From the perspective of geopolitics, in a classical land power versus sea power logic, contemporary China shares more common points with the German Empire and the Russian Empire before WWI than the US after WWII, in terms of the international environment, national strength and resources endowment.⁵

There has already been a plethora of literature about the BRI and this literature is constantly increasing. However, the BRI has been exaggerated and become an umbrella term to cover many seemingly related projects.⁶ As a result, the cornerstone of the BRI research, namely, what are the strategic objectives of this initiative, has been somewhat overlooked. Although the objectives of the BRI have been illustrated by the existing works by and large, they fail to arrange them in a coherent logic and decipher the strategic motive of the BRI.

To most scholars, securing energy supply lines is the foremost objective of the BRI, considering China's constant energy hunger and precarious energy supplies. They are enthusiastic about how the BRI can secure China's energy supplies and solve the “Malacca Dilemma”. Their suggestions range from constructing alternative energy supply lines to cooperating with local suppliers and the external powers that hold the

⁴ Ministry of Foreign Affairs of the PRC, Wang Yi: the BRI is both older and younger than the Marshall Plan, http://www.fmprc.gov.cn/web/ziliao_674904/zl_674979/dnzt_674981/qtzt/ydyl_675049/zyxw_675051/t1243593.shtml; Yiwei, W., 2015. “China's “New Silk Road”: A Case Study in EU-China Relations”. in ISPI Report *Xi's Policy Gambles: The Bumpy Road Ahead*, ISPI, Beijing, China, pp.92-109; Jinling, “BRI: China's Marshall Plan?”, *International Studies*, No.1, 2015 (金玲:《“一带一路”:中国的马歇尔计划?》,《国际问题研究》)

⁵ For Detailed history about them, please read McMurray, J.S., 2001. *Distant ties: Germany, the Ottoman Empire, and the construction of the Baghdad Railway*. Greenwood Publishing Group; Meyer, K.E. and Brysac, S.B., 2009. *Tournament of shadows: The great game and the race for empire in Central Asia*. Hachette UK.

⁶ Jiang Shixue, How to explain the Belt and Road Initiative to the world, https://news.cgtn.com/news/3d3d514d7751544d79457a6333566d54/share_p.html.

command of the sea.⁷

Developing China's landlocked western provinces is an emphasis of the BRI. Given the fact that the long distance between the western provinces and the eastern coastline is the main reason hindering the "China Western Development" (西部大开发), the BRI is designed to provide western provinces easier connectivity with overseas markets. In this regard, China is hopeful of achieving a more balanced domestic development level.⁸

Serving the "Chinese Dream" (中国梦) by boosting China's slowing economy is another consensus among scholars. Through the transfer of surplus productive capacity, a win-win deal can be reached via the BRI, i.e., China maintains considerable economic growth while BRI countries get access to cost-effective infrastructures that lay the foundation for their inclusive development. In this sense, the BRI seems to become an excellent move to broaden China's overseas markets, popularize the usage of RMB around the globe and advance China's soft power. In addition, the BRI is regarded as a critical tool for China to build "a community with a shared future for mankind" (人类命运共同体), which is highlighted as one of the two pillars of Xi Jinping Thought on Diplomacy.⁹

⁷ Lind, J. and Press, D.G., 2018. "Markets or Mercantilism? How China Secures Its Energy Supplies", *International Security*, 42(04), pp.170-204; Dannreuther, R., 2011. "China and global oil: vulnerability and opportunity", *International Affairs*, 87(6), pp.1345-1364; Qian Xuming, "The Base of the BRI Strategy: China and the Middle East Energy Cooperation", *Arab World studies*, No.3, 2014 (潜旭明: 《“一带一路”战略的支点: 中国与中东能源合作》, 《阿拉伯世界研究》); Yang Chenxi, "The great powers factors in regional energy cooperation of BRI and the coping strategies", *Expanding Horizons*, No.4, 2014 (杨晨曦: 《“一带一路”区域能源合作中的大国因素及应对策略》, 《新视野》).

⁸ Kaczmarek, M., 2017. "Non-western visions of regionalism: China's New Silk Road and Russia's Eurasian Economic Union", *International Affairs*, 93(6), pp.1357-1376; Liu Hui, "Impacts of the BRI on the spatial pattern of territory development in China", *Progress in Geography*, Volume 34 No.5 May 2015 (刘慧: 《“一带一路”战略对中国国土开发空间格局的影响》, 《地理科学进展》); Hu Angang, "Connotation, Definition and Passage of SREB strategy", *Journal of Xinjiang Normal University*, Volume 35 No.2, Apr 2014 (胡鞍钢: 《“丝绸之路经济带”: 战略内涵、定位和实现路径》, 《新疆师范大学学报》).

⁹ Yu, H., 2017. "Motivation behind China's 'One Belt, One Road' initiatives and establishment of the Asian infrastructure investment bank", *Journal of Contemporary China*, 26(105), pp.353-368; Ferdinand, P., 2016. "Westward ho—the China dream and 'one belt, one road': Chinese foreign policy under Xi Jinping", *International Affairs*, 92(4), pp.941-957; Silin, Y., Kapustina, L., Trevisan, I. and Drevaev, A., 2018. "The silk road economic belt: balance of interests", *Economic and Political Studies*, 6(3), pp.293-318; Hasegawa, M., 2018. "The geography and geopolitics of the renminbi: a regional key currency in Asia", *International Affairs*, 94(3), pp.535-552; Akcadag Alagoz, E., 2018. "Creation of the Asian Infrastructure Investment Bank as a part of China's smart power strategy", *The Pacific Review*, pp.1-21; Xing Guangcheng, "On China's New Silk Road Strategy: A New Linking Model of Deep Interactions: between China and the World", *World Economy and Politics*, No.12, 2014

Counter-terrorism is perceived as one of the primary goals of the BRI. Counter-terrorism is the prerequisite of the sustainable development of BRI countries and the whole Western China, which makes it significant to the Chinese government and society. For the purpose of providing a stable environment for China's western provinces, especially Xinjiang which is severely plagued by terrorism and separatism, as well as BRI countries, counter-terrorism cooperation is required to be undertaken within the Shanghai Cooperation Organization (SCO) framework. In this process, the Central National Security Commission of China (CNSC 中央国家安全委员会) should play a more significant role in leading and coordinating the relative resources domestically and internationally.¹⁰

The BRI is also interpreted as a countermeasure to the US "rebalance" towards Asia-Pacific and its supporting trade policy, Trans-Pacific Partnership (TPP). Confronted with the growing assertiveness of the US in East Asia, China has no other option to hedge than to march westward to extend its strategic space, which is viewed as the Chinese version of integrating into Central Asia.¹¹ Beyond the traditional or outdated geopolitical mindset, China takes the BRI as geo-economic leverage to strengthen the

(邢广程:《理解中国现代丝绸之路战略——中国与世界深度互动的新型链接范式》,《世界经济与政治》; Li Xiao, Li Junjiu, "Belt and Road and the reshaping of China's geopolitical and geo-economic Strategy", *World Economy and Politics*, No.10, 2015 (李晓:《“一带一路”与中国地缘政治经济战略的重构》,《世界经济与政治》)。

¹⁰ Basit, S.H., 2018. "Terrorizing the CPEC: managing transnational militancy in China-Pakistan relations", *The Pacific Review*, pp.1-31; Michael Clarke, How Terrorism Could Derail China's 'One Belt, One Road', <https://nationalinterest.org/feature/how-terrorism-could-derail-chinas-one-belt-one-road-19660?nopaging=1>; Zhao Minyan, "Assessment of Countries' Security Situation along the Belt and Road and Countermeasures", *Bulletin of Chinese Academy of Sciences*, No.6, 2016 (赵敏雁:《“一带一路”沿线国家安全形势评估及对策》,《中国科学院院刊》); Li Benxian, "On Building a Chinese Counterterrorism Mechanism Led by the National Security Commission", *Global Review*, No.4, 2015 (李本先:《建立国家安全委员会主导的中国反恐机制》,《国际展望》); Ma Lirong, "Assessing the Impact of 'Xinjiang separation' within the BRI Strategic Security Environment", *International Review*, No.3, 2015 (马丽蓉:《中国“一带一路”战略安全环境中“疆独”问题影响评估》,《国际观察》)。

¹¹ Wang, Y., 2016. "Offensive for defensive: the belt and road initiative and China's new grand strategy", *The Pacific Review*, 29(3), pp.455-463; Chan, L.H., 2017. "Soft balancing against the US 'pivot to Asia': China's geostrategic rationale for establishing the Asian Infrastructure Investment Bank", *Australian Journal of International Affairs*, 71(6), pp.568-590; Wang Jisi, March West: the rebalance of China's geopolitics, http://opinion.huanqiu.com/opinion_world/2012-10/3193760.html; Ruan Zongze, "The US rebalance to Asia: Quo Vadis", *World Economics and Politics*, No.4, 2014 (阮宗泽:《美国“亚太再平衡”战略前景论析》,《世界经济与政治》); Xue Li, "The rebalance strategy of the US and China's BRI", *World Economics and Politics*, No.5, 2016 (薛力:《美国再平衡战略与中国“一带一路”》,《世界经济与政治》)。

economic ties with Asian countries, enabling China to gain a bigger strategic foothold in a rising Asia.¹²

In Chinese International Relations (IR) academia, while the prudently optimistic school holding the main ground, some strategic conservatives insist that China should adopt a more cautious foreign policy to avoid strategic overstretch. According to them, in particular Shi Yinhong, a nonparty counsellor of the State Council of China, China should cling to strategic conservatism and curtail the costly diplomatic actions to refrain from overconsuming resources, considering its slowing economic growth and half-done industrial upgrade.¹³

Some scholars are dubious about the feasibility of the BRI's main economic goals, i.e., transferring China's surplus productive capacity and making better use of its large forex reserves. They are also wary about the feasibility of the BRI's political objectives, arguing China's ambition will be compromised by the different pursuits and interests of BRI countries. Additionally, the BRI is still regarded as a rather macro strategy, the roadmap is yet to be illustrated in detail. The existing diplomatic decision-making mechanism and the inadequacy of regional research capacity in China further make the implementation of such an ambitious strategy a somewhat tall order.¹⁴

¹² Callahan, W.A., 2016. "China's "Asia Dream" The Belt Road Initiative and the new regional order", *Asian Journal of Comparative Politics*, 1(3), pp.226-243; Gao Fei, "China's "March West" strategy and the game between China, US and Russia in the Central Asia", *Foreign Affairs Review*, No.5, 2013 (高飞:《中国的“西进”战略与中美俄中亚博弈》,《外交评论》); Du Debin, Ma Yahua, "One Belt and One Road: The grand geo-strategy of China's rise", *Geographical Research*, No.6, 2015 (杜德斌:《“一带一路”:中华民族伟大复兴的地缘大战略》,《地理研究》); Zhong Feiteng, "Surpassing myth of geopolitics: China's new Asian strategy", *Foreign Affairs Review*, No.6, 2014 (钟飞腾:《超越地缘政治的迷思:中国的新亚洲战略》,《外交评论》).

¹³ Shi, Y., 2017. 12 Prudence Crucial for the One-Belt-One-Road Initiative. In *Looking for A Road* (pp. 203-210). BRILL; Shi Yinhong, "the BRI: praying for prudence", *World Economics and Politics*, No.7, 2015 (时殷弘:《“一带一路”:祈愿审慎》,《世界经济与政治》); Shi Yinhong, "Traditional Chinese experience and modern Chinese practice: strategic adjustment, strategic overdraft and great rejuvenation", *Foreign Affairs Review*, No.6, 2015 (时殷弘:《传统中国经验与当今中国实践:战略调整、战略透支和伟大复兴问题》,《外交评论》).

¹⁴ Beeson, M., 2018. "Geo-economics with Chinese characteristics: the BRI and China's evolving grand strategy", *Economic and Political Studies*, 6(3), pp.240-256; Xue Li, "Diplomatic risks facing China's Belt and Road strategy", *International Economics Review*, No.2, 2015 (薛力:《中国“一带一路”战略面对的外交风险》,《国际经济评论》); Chu Yin, Gao Yuan, "China's Belt and Road Initiatives: Three Questions to be answered", *International Economics Review*, No.2, 2015 (储殷:《中国“一带一路”战略定位的三个问题》,《国际经济评论》); Xue Li, Xiao Huanrong, "How should China's foreign policy apparatus respond to BRI strategy", *Southeast Asian Studies*, No.2, 2016 (薛力:《“一带一路”倒逼中国外交决策机制改革》,《东南亚研究》); Xue, L., 2016. "China's Foreign Policy Decision-Making Mechanism and "One Belt One Road" Strategy", *Journal of Contemporary East Asia Studies*, 5(2), pp.23-35.

More specifically, geopolitically speaking, the BRI's progress primarily depends on three countries, e.g. Russia, India and the US. The BRI embraces a land belt across Eurasia and a maritime route across the Indian Ocean. In this regard, Russia and India are both indispensable to the connectivity of the BRI, which is the prerequisite of its success. Globally speaking, the US must be taken into account since it is the only superpower that has both capability and will to thwart the BRI across the world.

India is reckoned to be the least cooperative one among all BRI countries. Given India's identity, self-evaluation and strategic culture, the ambitious MSR is estimated to fuel the structural confrontation between China and India. In response, India has mapped out a series of tit-for-tat strategies such as the "Project Mausam" and the "Spice Route", intending to consolidate its predominance in South Asia and hedge China's growing presence and clout here.¹⁵

Presently speaking, China and India are somewhat mired in a security dilemma due to the unsettled border disputes and deep-rooted military mistrust, which makes the MSR suffer the consequences. Although China boasts more resources and mightier military force, India's regional advantages can hardly be undermined in the foreseeable future, because of the insurmountable geographic barriers, the questionable usage of ports around the Indian Ocean once a Sino-Indian war breaks out, and the limited power projection capacity of China.¹⁶ Therefore, for the purpose of better hedging the MSR, India reasserts its presence through launching the "Project Mausam" and the "Spice Route" at a regional level, while building up its relations, particularly in military terms,

¹⁵ Akhilesh Pillalamarri, Project Mausam: India's Answer to China's 'Maritime Silk Road', <https://thediplomat.com/2014/09/project-mausam-indias-answer-to-chinas-maritime-silk-road/>; Dániel Balázs, Monsoons on the New Silk Road, <http://foreignpolicy.com/2015/06/23/monsoons-on-the-new-silk-road/>.

¹⁶ Pant, H.V., 2016. "Rising China in India's vicinity: a rivalry takes shape in Asia", *Cambridge Review of International Affairs*, 29(2), pp.364-381; Holslag, J., 2009. "The persistent military security dilemma between China and India", *Journal of Strategic Studies*, 32(6), pp.811-840; Brewster, D., 2017. "Silk Roads and Strings of Pearls: The Strategic Geography of China's New Pathways in the Indian Ocean", *Geopolitics*, 22(2), pp.269-291; Holmes, J.R. and Yoshihara, T., 2008. "China's naval ambitions in the Indian Ocean", *Journal of Strategic Studies*, 31(3), pp.367-394; Krupakar, J., 2017. "China's Naval Base (s) in the Indian Ocean—Signs of a Maritime Grand Strategy?", *Strategic Analysis*, 41(3), pp.207-222.

with the US, Japan and Australia, illustrated by the concepts such as “Indo-Pacific” and “Freedom Corridor”.¹⁷

Opinions vary on the SREB. The crux is whether China's growing interests can be compatible with Russia's vested interests in Central Asia. To the scholars who are negative about Sino-Russian cooperation, the economic assertiveness of China is interpreted as a kind of infiltration to Russia's traditional sphere of influence while the SREB is presumed to be a rival to the Eurasian Economic Union (EEU). That is partly the reason why Russia refrains from fleshing out the SCO economically and is lukewarm to China's appeal to cooperate on the trade and monetary aspects. In addition, when the western frontline of Russia's sphere of influence is being encroached on by the eastward expansion of the North Atlantic Treaty Organization (NATO), Russia tends to keep a wary eye on China's increasing influence in its eastern “backyard”, rendering the political feasibility of the SREB uncertain in Central Asia. In addition, some scholars also question the SREB's practicability in economic and engineering terms.¹⁸

Contrary to the negative works, the positive school is optimistic about the SREB's prospect, believing China and Russia can share the created interests and effectively manage the conflicts brought by the SREB. In general, the roles they play in the SREB are more complementary than contradictory. As a barometer, the two countries have

¹⁷ Clary, C. and Narang, V., 2019. “India's Counterforce Temptations: Strategic Dilemmas, Doctrine, and Capabilities”, *International Security*, 43(3), pp.7-52; Yoshihara, T., 2012. “Chinese views of India in the Indian Ocean: A geopolitical perspective”, *Strategic Analysis*, 36(3), pp.489-500; Scott, D., 2013. “India's Aspirations and Strategy for the Indian Ocean—Securing the Waves?”, *Journal of Strategic Studies*, 36(4), pp.484-511; Palit, A., 2017. “India's Economic and Strategic Perceptions of China's Maritime Silk Road Initiative”, *Geopolitics*, 22(2), pp.292-309; Joshi, Y. and Mukherjee, A., 2018. “From Denial to Punishment: The Security Dilemma and Changes in India's Military Strategy towards China”, *Asian Security*, pp.1-19; Lin Minwang, “Indian perception of the BRI and China's Policy Choice”, *World Economics and Politics*, No.5, 2015 (林民旺:《印度对“一带一路”的认知及中国的政策选择》,《世界经济与政治》); Hu Zhiyong, “Influence of India's Indian Ocean Strategy of China's MSR Building”, *South Asian Studies Quarterly*, No.4, 2014 (胡志勇:《印度的“印度洋战略”对中国海上丝绸之路建设的影响》,《南亚研究季刊》); Tao Liang, “Project Mausam, Indian's Maritime Strategy and the MSR”, *South Asian Studies*, No.3, 2015 (陶亮:《“季风计划”、印度海洋战略与“21世纪海上丝绸之路”》,《南亚研究》)。

¹⁸ Wilson, J.L., 2016. “The Eurasian Economic Union and China's silk road: implications for the Russian–Chinese relationship”, *European Politics and Society*, 17(sup1), pp.113-132; Song, W., 2014. “Interests, Power and China's Difficult Game in the Shanghai Cooperation Organization (SCO)”, *Journal of Contemporary China*, 23(85), pp.85-101; Kim, Y. and Blank, S., 2013. “Same bed, different dreams: China's ‘peaceful rise’ and Sino–Russian rivalry in Central Asia”, *Journal of Contemporary China*, 22(83), pp.773-790.

developed relevant institutions to accommodate each other's interests. At the global level, Sino-Russian interdependent relations are ever consolidating in the face of what they both see as the intensifying US threat militarily and ideologically, which paves the way for their deeper collaboration in the BRI.¹⁹

The US suspicions of the BRI are fully demonstrated by its refusal to join in the Asian Infrastructure Investment Bank (AIIB) when most of its allies are already the members of it. The US researchers generally regard the BRI as China's attempts to cripple US influence in BRI countries and challenge US global leadership in the liberal international order. They presume China would pursue a higher global political status commensurate with its growing economic clout. As Chairman Xi Jinping's signature foreign policy, the BRI plays a key role in fulfilling "the Chinese Dream" and cementing the Communist Party of China (CPC) leadership. Chairman Xi's more assertive foreign policy delineates the contour of this ambitious initiative, by which the US power and influence will be substantially compromised.²⁰

Combining all the above-mentioned literature, it is reasonable to argue that the existing works have basically enumerated the main strategic purposes of the BRI and assessed its geopolitical impacts and the reactions from other major players. However, there are still two critical gaps to be filled in the BRI research. In the first place, although the BRI's strategic objectives have been listed by and large, scholars have rarely sought to interpret them in a consistent logic and distinguish the primary from the secondary. This is chiefly due to methodological shortcomings, i.e., the existing literature generally

¹⁹ Gabuev, A., 2016. "Crouching Bear, Hidden Dragon: "One Belt One Road" and Chinese-Russian Jostling for Power in Central Asia", *Journal of Contemporary East Asia Studies*, 5(2), pp.61-78; Odgaard, L., 2017. "Beijing's Quest for Stability in its Neighborhood: China's Relations with Russia in Central Asia", *Asian Security*, 13(1), pp.41-58; Gatev, I. and Diesen, G., 2016. "Eurasian encounters: The Eurasian Economic Union and the Shanghai Cooperation Organization", *European Politics and Society*, 17(sup1), pp.133-150; Ferguson, C., 2012. "The strategic use of soft balancing: the normative dimensions of the Chinese-Russian 'strategic partnership'", *Journal of Strategic Studies*, 35(2), pp.197-222.

²⁰ Lampton, D.M., 2016. "China: Challenger or Challenged?", *The Washington Quarterly*, 39(3), pp.107-119; Rolland, N., 2017. "China's "Belt and Road Initiative": Underwhelming or Game-Changer?", *The Washington Quarterly*, 40(1), pp.127-142; Ma Jianying, "The US perception of and response to China's BRI", *World Economics and Politics*, No.10, 2015 (马建英:《美国对中国“一带一路”倡议的认知与反应》,《世界经济与政治》); Wang Lianhe, "The US perception of and response to China's BRI", *International Review of Fudan University*, No.1, 2015 (王联合:《美国对“一带一路”战略的认知与反应》,《复旦国际关系评论》).

adopts a bottom-up rather than a top-down perspective. This approach deciphers the BRI objectives from the specific diplomatic actions of China separately instead of analyzing them from how they serve China's overall strategic demands holistically. Arguably, the conclusions they arrive at are correct individually, but inevitably incomplete and incoherent when integrating them. As the famous parable of "the blind men and an elephant" insinuates, researchers focus on conceptualizing and defining the BRI by some given parts of it, failing to take a holistic view of the BRI. This leads to the second problem. The existing literature fails to arrange the BRI's objectives in a net order by their contribution to China's overall strategic demands. As a result, we have witnessed aimless inflation of the BRI in practice. Driven by the mentality of performance competition, the bureaucratic system is likely to push forward a number of consuming "vanity projects" (政绩工程) while paying due attention to those game-changing ones. In this regard, China may be mired in an array of white elephant projects and end up in strategic overstretch. Worse still, such an overblown BRI may provoke unnecessary geopolitical concerns of other countries and make the "China threat theory" a self-fulfilling prophecy.

Therefore, this thesis adopts a top-down perspective, in order to overcome these two logical imperfections. Initiated by analyzing what is the ultimate pursuit of China's strategy and what are the itemized objectives to fulfill this pursuit, this thesis seeks to point out the BRI's strategic logic, through which to combine the scattered explanations to a comprehensive and consistent interpretation. In this regard, the grand strategy approach boasting a holistic and top-down worldview is the most appropriate conceptual framework to conduct such research.²¹ Presently speaking, although a number of works have titled the BRI as "China's grand strategy", the concept of "grand strategy" is merely perceived as rhetoric rather than an approach.²²

²¹ The specific definition of grand strategy and the grand strategy conceptual framework for this thesis will be elaborated in 1.2, which will elaborate why grand strategy is the most appropriate approach to look into the BRI.

²² Ploberger, C., 2017. "One Belt, One Road-China's new grand strategy", *Journal of Chinese Economic and Business Studies*, 15(3), pp.289-305. Aoyama, R., 2016. "'One Belt, One Road': China's New Global Strategy", *Journal of Contemporary East Asia Studies*, 5(2), pp.3-22; Wang, Y., 2016. "Offensive for defensive: the belt and road initiative and China's new grand strategy", *The Pacific Review*, 29(3), pp.455-463; Du Debin, Ma Yahua, "The BRI: The Geopolitical Grand Strategy For the Rejuvenation of Chinese Nation", *Geographical*

In conclusion, this thesis is devoted to interpreting how the BRI serves China's grand strategy. In specific, this thesis will adopt grand strategy as the principal conceptual framework to examine China's strategic pursuit and itemize the pursuit to specific strategic objectives, upon which to achieve a complete and coherent explanation of the strategic objectives of the BRI. This thesis attempts to contribute a fresh top-down angle to the ongoing debates about the BRI, by which to research the BRI beyond itself and understand the BRI as an instrument to fulfill China's grand strategy, in order to avoid "can't see the wood for the trees." Therefore, this thesis seeks to clarify the research questions as follows: What are the underlying logic and specific objectives of the BRI? How the BRI serves China's grand strategy? What are the relations between the BRI and other significant diplomatic actions of China?

1.2 The Evolution of Grand Strategy Thought

There have been a substantial number of works discussing the definition of grand strategy, however, the more they discuss, the more divergent they become. Just as Hal Brands says, "one of the most slippery and widely abused terms ... often invoked but less often defined...discussions of grand strategy are often confused or superficial... they muddle or obscure more than they illuminate".²³ In general, as Paul Kennedy argues, the development trend of grand strategy's definition is "toward a broader definition".²⁴ Therefore, this thesis attempts to outline the intellectual history of grand

Research, No.6, 2015 (杜德斌:《“一带一路”:中华民族复兴的地缘大战略》,《地理研究》); Pantucci, R. and Lain, S., 2016. "I. China's Grand Strategy: The Belt and Road Initiative", *Whitehall Papers*, 88(1), pp.7-16.

²³ Brands, H., 2012. *The Promise and Pitfalls of Grand Strategy*. ARMY WAR COLL STRATEGIC STUDIES INST CARLISLE BARRACKS PA. There are some special works concentrating on the evolution of the concept grand strategy, as my thesis is not an intellectual history one, I will only outline the development of grand strategy conception and classify them roughly. For detailed books, please see Milevski, Lukas. *The Evolution of Modern Grand Strategic Thought*. Oxford University Press, 2016; Brands, H., 2014. *What good is grand strategy? Power and purpose in American statecraft from Harry S. Truman to George W. Bush*. Cornell University Press; Freedman, Lawrence. *Strategy: a history*. Oxford University Press, 2015; Martel, William C. *Grand strategy in theory and practice: The need for an effective American foreign policy*. Cambridge University Press, 2015; Hill, Charles. *Grand Strategies: Literature, Statecraft, and World Order*. Yale University Press, 2010; Murray, Williamson, "Thoughts on grand strategy" in Murray, Williamson, Richard Hart Sinnreich, and James Lacey, eds. *The shaping of grand strategy: policy, diplomacy, and war*. Cambridge University Press, 2011.

²⁴ Grand Strategy in War and Peace: Toward a broader definition, Kennedy, Paul M., ed. *Grand strategies in war and peace*. Yale University Press, 1992.

strategy in the first place, through which to reach a working definition before employing it to conduct further research.

The terminology “strategy” was firstly used in the ancient Greek era, which meant “generalship”,²⁵ and simultaneously in the Oriental World, Sun Tzu brought forward a complete theory of “strategy” to guide the war command.²⁶ However, though usually cited as the genesis of the concept of grand strategy, they are seldom related to the modern grand strategy research. The modern strategic thinking can be traced back to Carl von Clausewitz. According to his definition, “strategy is the art of using battles to win the war”, the definition scope of strategy was narrow at that time while war was made the subject of strategy studies, in other words, strategy was only perceived as a guide to win the war.²⁷ Similarly, his contemporary, Antoine-Henri Jomini, who was also greatly influenced by the Napoleon War, defined strategy as the top of five principal parts and included 13 points, which were all related to the guidance of war.²⁸ Therefore, in this era, strategy was no more than a concept of discussing how to win a specific war and was constrained within the military realm.

B. H. Liddell Hart is the pioneer of contemporary grand strategy research. Thanks to him, this concept was liberated from the purely military realm and advanced to a higher national level. In his mind, grand strategy was “to coordinate and direct all the resources of a nation, or band of nations, towards the attainment of the political object of the war – the goal defined by fundamental policy” and “should take account of and apply the power of financial pressure, of diplomatic pressure, of commercial pressure, and not least of ethical pressure, to weaken the opponent’s will ”.²⁹ That is to say, all possible means of a nation should be mobilized to achieve its goals. Given the aftermath of WWI, his understanding of grand strategy was inevitably war-oriented and the goal of grand

²⁵ Van Creveld, Martin. *The transformation of war: The most radical reinterpretation of armed conflict since Clausewitz*. (1991). pp.95-96.

²⁶ Tzu, Sun. *The art of war*. Knickerbocker Classics, 2017.

²⁷ Clausewitz, Carl von. “*On War*, trans. Michael Howard and Peter Paret” (1976). pp.127

²⁸ Jomini, Antoine-Henri, George Henry Mendell, and William Price Craighill. *The Art of war*. Courier Corporation, 2007. pp.59-62

²⁹ Hart, Basil Henry Liddell. *Strategy: the indirect approach*. Faber, 1967. pp.335-336

strategy was the victory of war, albeit the access was not necessarily military. In a like manner, his contemporaries, notably J. F. C. Fuller and Edward Mead Earle, shared common war-oriented ideas with him. The former dedicated an entire chapter in his book to develop the concept of grand strategy, as “the utilization of the national energies for purposes of war”,³⁰ while the latter also regarded the victory of war as the most central purpose of grand strategy, as he suggested, “grand strategy ...integrates the policies and armaments of the nation...maximum chance of victory.”³¹ As this generation of grand strategy research was built on the ruins of WWI, they were branded with a prominent war-oriented propensity, shown by Michael Howard’s summary, “grand strategy in the first half of the twentieth century consisted basically in the mobilization and deployment of national resources of wealth, manpower and industrial capacity...for the purpose of achieving the goals of national policy in wartime.”³²

Since the end of WWII, especially after the invention and proliferation of nuclear weapons, the “Mutually Assured Destruction” (MAD) era led to a broader scope of definition and a more peace-oriented disposition of grand strategy research. After a hiatus in the early period of the Cold War,³³ grand strategy was embraced by the academic community again in the early 1970s, because of the confluence of Detente, the aftermath of the Vietnam War and many other factors.³⁴ Therefore, the objectives of grand strategy were no longer confined to the victory of war, but were broadened to a wider sphere, echoing the development of IR theory from realism to liberalism. Just as Paul Kennedy suggested, “a true grand strategy was now concerned with peace as much as (perhaps even more than) with war.”³⁵ Furthermore, the importance of economic sustainability was also elevated to the same height with the military machine,

³⁰ Fuller, John Frederick Charles. *The Reformation of War*. London, Hutchinson, 1923. pp.68

³¹ Edward Mead Earle. “Introduction” in Edward Mead Earle (ed). *Makers of Modern Strategy: Military Thought from Machiavelli to Hitler*. (New York: Atheneum 1966), VIII.

³² Michael Howard (1972) (*History of the Second World War, United Kingdom Military Series*) *Grand Strategy Vol. IV: August 1942- September 1943* (London: His Majesty’s Stationery Office), pp.1.

³³ Raymond Aron. “The Evolution of Modern Strategic Thought” in Alastair Buchan (ed). *Problems of Modern Strategy: Part One*, Adelphi Paper 54. (London: IISS 1969), pp.2.

³⁴ Milewski, Lukas. *The Evolution of Modern Grand Strategic Thought*. Dissertation of Reeding University, pp.164.

³⁵ Grand Strategy in War and Peace: Toward a broader definition, Kennedy, Paul M., ed. *Grand strategies in war and peace*. Yale University Press, 1992.

as “grand strategy was about the balancing of ends and means, both in peacetime and in wartime. It was not enough for statesmen to consider how to win a war, but what the costs (in the largest sense of the word) would be.”³⁶

Edward N. Luttwak is another indispensable figure who contributes significantly to the resurgence of grand strategy research and his attempts to apply grand strategy to ancient empires significantly widen its usage scope,³⁷ just as he argues, “all states have a grand strategy, whether they know it or not”.³⁸ Despite the change of technological, political and cultural conditions, the essence of grand strategy, “the highest level of final results”, has never changed.³⁹ As he demonstrates in “The Grand Strategy of the Roman Empire”, though premature in technological and political terms, the Roman grand strategy was worth being enshrined as the forerunner of the contemporary one because the essential components of grand strategy had already been completed, ranging from the national objectives determined by ideology, domestic strength and the international surroundings, to the possible measures to attain strategic objectives.⁴⁰ It is noteworthy that even though the concept of grand strategy was employed in such an ancient and belligerent era, peaceful methods still played a role as important as the military ones, further justifying the universal applicability of the grand strategy approach.

After the renaissance of grand strategy research, a substantial number of scholars began to employ it in their works and ushered in a great boom in this domain. During this time, the definition of grand strategy became more peace-oriented and military resorts were degraded to a normal approach to achieve national objectives. For instance, John Lewis Gaddis suggested, “it requires the integration of military strategy with such non-military considerations as politics, economics, psychology, law, and morality, and it

³⁶ Kennedy, Paul M., ed. *Grand strategies in war and peace*. Yale University Press, 1992. pp.4

³⁷ Notably his books, Luttwak, Edward N. *The Grand Strategy of the Roman Empire: From the First Century CE to the Third*. JHU Press, 2016; Luttwak, Edward. *The grand strategy of the Byzantine Empire*. Harvard University Press, 2009.

³⁸ Luttwak, Edward. *The grand strategy of the Byzantine Empire*. Harvard University Press, 2009. pp.409.

³⁹ Edward N. Luttwak. *Strategy: The Logic of War and Peace*. (Cambridge: Belknap Press of Harvard UP 1987), pp.177.

⁴⁰ Luttwak, Edward N. *The Grand Strategy of the Roman Empire: From the First Century CE to the Third*. JHU Press, 2016, pp.4

involves doing so over indeterminate periods of time.”⁴¹ In addition, through Barry Posen’s interpretation, grand strategy was defined as “a political-military, means-end chain, a state’s theory about how it can best cause security for itself.”⁴² This strand of development culminated in Paul Kennedy and his definition of grand strategy was the first among those widely accepted, going as “the crux of grand strategy... the capacity of the nation’s leaders to bring together all the elements, both military and nonmilitary, for the preservation and enhancement of the nation’s long-term (that is, in wartime and peacetime) best interests... it operates at various levels, political, strategic, operational, tactical, all interacting with each other to advance (or retard) the primary aim.”⁴³ In this regard, the evolution of grand strategic thought is a process of being more inclusive and taking more factors into consideration for the comprehensive national development in both wartime and peacetime.

From the standpoint of IR intellectual history, the advancement of grand strategy research keeps pace with the development of IR theory. The most notable achievements are the explorations of the domestic bases of grand strategy and strategic culture, in line with the introductions of neoclassical realism and constructivism in IR respectively. By classical realism and neorealism, the state per se is perceived as a functionally identical actor and operates in a rational way, and these theories stress more on the “third image” in international politics. However, they were challenged by neoclassical realism and led to a great debate. Mirrored in the grand strategy research realm, according to Richard Rosecrance and Arthur Stein, a series of new factors should be taken into consideration, “domestic groups, social ideas, the character of constitutions, economic constraints (sometimes expressed through international interdependence), historical social tendencies, and domestic political pressures play an important, indeed, a pivotal, role in the selection of a grand strategy.”⁴⁴ Based on the paradigm of neoclassical realism,

⁴¹ John Lewis Gaddis. “Containment and the Logic of Strategy”, *The National Interest* (Winter 1987- 88), pp.28

⁴² Barry R.Posen. *The Sources of Military Doctrine: France, Britain, and Germany Between the World Wars*. (Ithaca: Cornell UP 1984), pp.13.

⁴³ Kennedy, Paul M., ed. *Grand strategies in war and peace*. Yale University Press, 1992, pp.5.

⁴⁴ Rosecrance, Richard N., and Arthur A. Stein, eds. *The domestic bases of grand strategy*. Cornell University Press, 1993. pp.4.

Norrin Ripsman argues that leader images, strategic culture, state-society relations and domestic institutions are the principal domestic variables determining a given country's perception, decision making and policy implementation. Together with system stimuli, these five variables play dominant roles in a country's grand strategy making.⁴⁵

In addition to the above-mentioned thinking methods, another pillar of grand strategy research is case study, which contributes substantially to the current works. Thanks to the approach of case study, scholars and strategists are able to abstract universal strategic principles from history and reapply them into new circumstances, significantly broadening the horizon of grand strategy research and application.⁴⁶ As Hal Brands and Patrick Porter argue, "history offers instructive examples of effective grand strategic behavior."⁴⁷ In this regard, grand strategy study is supposed to be intrinsically inter-disciplinary, which has already invited historians to dialogue. Furthermore, more disciplines should also be taken into consideration for grand strategy research, in order to reach a more comprehensive understanding.

Strategic culture is another burgeoning dimension in grand strategy research, which echoes the increasing popularity of constructivism from IR theories and culturalism from comparative politics.⁴⁸ The strategic culture concept challenges the assumption that all rational international entities operate in western rationality, as the scholar who initiated strategic culture research, Jack Snyder argued, "Soviet leaders... as politicians and bureaucrats who have developed and been socialized into a strategic culture that is

⁴⁵ Norrin Ripsman, *Jeffrey Taliaferro, and Steven Lobell, Neoclassical realist theory of international politics*, Oxford University Press, 2016, pp.59.

⁴⁶ For classical works, please see Murray, Williamson, MacGregor Knox, and Alvin Bernstein, eds. *The making of strategy: rulers, states, and war*. Cambridge University Press, 1994; Paret, Peter, Gordon A. Craig, and Felix Gilbert. *Makers of Modern Strategy from Machiavelli to the Nuclear Age*. Princeton University Press, 1986; Kennedy, Paul M., ed. *Grand strategies in war and peace*. Yale University Press, 1992. For classical theory works, please see Rosecrance, Richard N., and Arthur A. Stein, eds. *The domestic bases of grand strategy*. Cornell University Press, 1993; Snyder, Jack. *Myths of empire: Domestic politics and international ambition*. Cornell University Press, 2013; Ikenberry, G. John. *After victory: Institutions, strategic restraint, and the rebuilding of order after major wars*. Princeton University Press, 2009.

⁴⁷ Hal Brands, Patrick Porter, Why Grand Strategy Still Matters in a World of Chaos, <https://nationalinterest.org/feature/why-grand-strategy-still-matters-world-chaos-14568>.

⁴⁸ Farrell, T., 2002. "Constructivist security studies: Portrait of a research program", *International Studies Review*, pp.49-72.

in many ways unique.”⁴⁹ The evolution of strategic culture research is chronicled to three generations by Alastair Iain Johnston. The first generation challenges the dominant technological and rational approaches of strategic studies and embeds culture and strategic relativism into these studies. The second-generation literature pays attention to the disjuncture between rhetoric and explanation in strategic choice and adopts a Gramscian approach to some extent. The third generation tends to be more rigorous and eclectic in the conceptualization of ideational independent variables and more narrowly focuses on particular strategic decisions.⁵⁰ According to mainstream narratives, strategists are not purely rational but influenced and socialized by particular historical, cultural, political and social backgrounds. In this regard, strategic culture is a significant intervening variable critically influencing the decision-making process. As Colin S. Gray interpreted, “strategic culture can be defined as the socially transmitted habits of mind, traditions, and preferred methods of operation that are more or less specific to a particular geographically based security community.”⁵¹ In fact, even the variables assumed to be objective in the past works are also subject to cultural impacts. According to Alastair Iain Johnston, “ahistorical” or “objective” variables such as technology, polarity, or relative material capabilities are all of secondary importance. It is strategic culture that gives meaning to these variables. “The weight of historical experiences and historically-rooted strategic preferences tends to constrain responses to changes in the “objective” strategic environment, thus affecting strategic choices in unique ways.”⁵²

Figuring out a working definition of strategic culture is not easy, as Rashed Uz Zaman suggests, “the concept of strategic culture is as dangerous as an unmarked minefield on a dark night”.⁵³ There is a series of debates going on about this concept. For instance,

⁴⁹ Snyder, J.L., 1977. *The Soviet Strategic Culture. Implications for Limited Nuclear Operations* (Vol. 2154, No. AF). RAND CORP SANTA MONICA CALIF, pp.4.

⁵⁰ Johnston, A.I., 1998. *Cultural realism: Strategic culture and grand strategy in Chinese history*. Princeton University Press, pp.5-22.

⁵¹ Gray, Colin S. *Explorations in strategy*. No. 164. Greenwood Publishing Group, 1996, pp.84.

⁵² Johnston, Alastair Iain, 1995, “Thinking about strategic culture”, *International security*, 19(4), pp.32-64.

⁵³ Uz Zaman, R., 2009. “Strategic culture: A “cultural” understanding of war”, *Comparative Strategy*, 28(1), pp.68-88.

with respect to the contrasting definitions of strategic culture, as Alan Bloomfield argues, “strategic culture scholars are united in opposition to the dominance of rationalist–materialist–universalist theorizing in IR circles, this is about where agreement ends.”⁵⁴ This concept is also subjected to a series of criticisms, including the source of strategic culture, the unitary strategic culture concept, the deficiency of factors taken into consideration or “thin” constructivism, and sui generis problem.⁵⁵ Furthermore, the existing conceptual framework suffers from “too coherent” and “too much continuity”, namely, they cannot account for strategic-behavioral inconsistency and the changes in strategies over time.⁵⁶ The debate between the positivism and interpretivism approach, which is championed by Alastair Iain Johnston and Colin S. Gray respectively, makes the definition of strategic culture more ambiguous.⁵⁷ Despite the existence of these debates, the concept of strategic culture is still getting more attention and becomes an essential variable in grand strategy studies. This thesis contends that the introduction of strategic culture does not seek to supplant the existing analytical framework of grand strategy, but to add an intervening variable to enrich it. While strategic culture is more indispensable to the grand strategy analytical framework, grand strategy research is still chiefly based on a material-rational foundation. Strategic culture should be regarded as a preference that works under the structure set up by

⁵⁴ Bloomfield, A., 2012. “Time to move on: Reconceptualizing the strategic culture debate”, *Contemporary security policy*, 33(3), pp.437-461.

⁵⁵ For more explicit information, please see Lantis, J.S., 2002. “Strategic culture and national security policy”, *International studies review*, 4(3), pp.87-113; Farrell, T., 2005. “Strategic Culture and American Empire”, *SAIS Review of International Affairs*, 25(2), pp.3-18; Howlett, D., 2005. “Strategic culture: reviewing recent literature; strategic insights”, v. 6, issue 10 (November 2005). *Strategic Insights*, v. 6, issue 10 (October 2005); Murray, W., 1999. “Does military culture matter?”, *Orbis*, 43(1), pp.27-42; Gray, C.S., 2009. *Out of the wilderness: Prime time for strategic culture*. In *Strategic Culture and Weapons of Mass Destruction* (pp. 221-241). Palgrave Macmillan, New York; Poore, S., 2003. “What is the context? A reply to the Gray-Johnston debate on strategic culture”, *Review of International Studies*, 29(2), pp.279-284; Desch, M.C., 1998. “Culture clash: assessing the importance of ideas in security studies”, *International security*, 23(1), pp.141-170.

⁵⁶ For instance, Lord, C., 1985. “American strategic culture”, *Comparative Strategy*, 5(3), pp.269-293; Evans, M., 2005. *The Tyranny of Dissonance: Australia's strategic culture and way of war, 1901-2005*. Land Warfare Studies Centre.

⁵⁷ Johnston, A.I., 1995. “Thinking about strategic culture”, *International security*, 19(4), pp.32-64; Gray, C.S., 1999. “Strategic culture as context: the first generation of theory strikes back”, *Review of international studies*, 25(1), pp.49-69; McDonough, D.S., 2011. “Grand strategy, culture, and strategic choice: A review”, *Journal of Military and Strategic Studies*, 13(4); Poore, S., 2003. “What is the context? A reply to the Gray-Johnston debate on strategic culture”, *Review of International Studies*, 29(2), pp.279-284; Haglund, D.G., 2004. “What good is strategic culture? A modest defence of an immodest concept”, *International Journal*, 59(3), pp.479-502; Morgan, F.E., 2003. *Compellence and the strategic culture of imperial Japan: implications for coercive diplomacy in the twenty-first century*. Greenwood Publishing Group; Neumann, I.B. and Heikka, H., 2005. “Grand strategy, strategic culture, practice: The social roots of Nordic defence”, *Cooperation and conflict*, 40(1), pp.5-23; Rasmussen, M.V., 2005. ““What’s the use of it?: Danish strategic culture and the utility of armed force”, *Cooperation and Conflict*, 40(1), pp.67-89.

material and rational constraints. In other words, it is practical to classify strategic culture as a sub-concept in grand strategy studies and its influence in strategy making should not be overestimated.

With the development and increasing popularity of grand strategy, more critical debates are proposed to lambaste its vagueness and unclearness. The most striking strand is the skepticism about the existence and effectiveness of grand strategy. Contrary to the traditional long-term design of grand strategy, a growing number of scholars embrace the approach that emergent learning and improvisation are more vital to reach a successful goal for nations, and quoting Ionut C. Popescu, they are labeled as the “emergent strategy school”.⁵⁸ According to this vein of scholars, learning and adapting are more crucial than foreseeing and designing in the implementation of strategy, and the bottom-up rather than the top-down approach is more appropriate, like Lawrence Freedman argues, “Strategy ... in practice is rarely an orderly movement to goals set in advance. Instead ... requiring a reappraisal and modification of the original strategy, including ultimate objectives.”⁵⁹

Another branch of scholars challenges the breadth of the mainstream definition of grand strategy. Nina Silove argues that there is no single concept of grand strategy but instead three ones, namely, “grand plans”, “grand principles” and “grand behavior”. They all include two vital factors of grand strategy: means and ends, and represent the characteristics of grandness in grand strategy.⁶⁰ Similarly, Rebecca Friedman Lissner

⁵⁸ Popescu, I.C., 2018. “Grand Strategy vs. Emergent Strategy in the conduct of foreign policy”, *Journal of Strategic Studies*, 41(3), pp.438-460.

⁵⁹ Freedman, Lawrence. *Strategy: a history*. Oxford University Press, 2015, XI, for more literatures of this school, please see Popescu, I., 2017. *Emergent Strategy and Grand Strategy: How American Presidents Succeed in Foreign Policy*. JHU Press; Danzig, R., 2011. *Driving in the dark: ten propositions about prediction and national security*. CENTER FOR A NEW AMERICAN SECURITY WASHINGTON DC; Fontaine, R. and Burton, B.M., 2010. *Eye to the Future: Refocusing State Department Policy Planning*. Washington DC: Center for a New American Security; Richard Sinnreich, “Patterns of Grand Strategy” and “Victory by trial and error: Britain’s struggle against Napoleon”, in Murray, W. and Sinnreich, R.H. eds., 2014. *Successful strategies: triumphing in war and peace from antiquity to the present*. Cambridge University Press; Marcus Jones, “Strategy as character: Bismarck and the Prusso-German question, 1862–1878” in Murray, W., Sinnreich, R.H. and Lacey, J. eds., 2011. *The Shaping of Grand Strategy: Policy, Diplomacy, and War*. Cambridge University Press; Wilson, J., 2014. *The Triumph of Improvisation: Gorbachev’s Adaptability, Reagan’s Engagement, and the End of the Cold War*. Cornell University Press.

⁶⁰ Silove, N., 2018. “Beyond the Buzzword: The Three Meanings of “Grand Strategy””, *Security Studies*, 27(1), pp.27-57.

classifies the existing grand strategy literature into three strands, i.e., “grand strategy as variable”, “grand strategy as process” and “grand strategy as blueprint”.⁶¹ Lukas Milevski suggests that “operational art” should be introduced as a companion concept to grand strategy because grand strategy “as a higher level of strategy fails to account for the entire ends-ways-means logic of strategy”. Such a concept can effectively bridge the civil-military gap and avoid dysfunction in the practice of holistic strategy.⁶²

Taking the above-mentioned challenges to grand strategy into consideration, this thesis holds that the current concept of grand strategy can be better understood as two separate concepts, namely, “the making of grand strategy” and “the implementation of grand strategy”. These challenges illustrate that IR scholars have noticed the disjunction between the making and implementation of grand strategy. Roughly speaking, “the implementation of grand strategy” calls for flexibility and adaption based on bottom-up feedback and response. While “the making of grand strategy”, which is the original meaning of grand strategy, still requires a top-down thinking method and a holistic and comprehensive worldview. In this regard, the present challenges contribute a new analytical dimension to the traditional understanding of grand strategy, making this concept more inclusive.

Reviewing the intellectual history of grand strategy, it is notable that the definition and analytical level keep expanding and become more inclusive over time. Three dimensions are remarkable as follows. Firstly, in terms of scope, grand strategy broadens from resorting to the military means for military victory, taking advantage of any possible measures to win a war, to mobilizing any available resources to achieve national objectives. Secondly, in terms of the analytical level, grand strategy expands from the international level to the domestic level, from the material level to the conceptual level. Thirdly, in terms of process, a general concept of grand strategy is

⁶¹ Lissner, R.F., 2018. “What Is Grand Strategy? Sweeping a Conceptual Minefield (November 2018)”, *Texas National Security Review*.

⁶² Milevski, L., 2014. “Grand Strategy and Operational Art: Companion Concepts and Their Implications for Strategy”, *Comparative Strategy*, 33(4), pp.342-353.

divided into two more explicit concepts of “the making of grand strategy” and “the implementation of grand strategy”. Illustrated in these three dimensions, the concept and analytical framework of grand strategy are increasingly inclusive and comprehensive, making grand strategy studies elastic and widely-applicable to a greater extent. It is also worth mentioning that this trend does not mean the concept of grand strategy is abused or vulgarized, instead, it is the intrinsic course of its evolution and maturation.

In conclusion, this thesis reaches the working definition of grand strategy as follows. Grand strategy is not another branch of IR theory, but a comprehensive and holistic worldview which is inclined to adopt an integrated perspective to view the international affairs. Therefore, grand strategy is the well-coordinated operations mobilizing all the available resources to realize a country's overall ambitions, which are determined by the structural-realist-rational constraints principally and the conceptual preferences secondarily. In specific, the crux of grand strategy making is to make clear the strategic objectives. The uncompromising objectives are the strategic principles of a country while the negotiable ones are the bargaining chips for exchange with others. With respect to grand strategy implementation, it demands that a country balances the fulfillment of its objectives with the reactions of the international system, embedding its expanding interests in the existing distribution of interests in the system as peaceful as possible. Accordingly, strategic culture can also be defined separately in grand strategy making and implementation. In grand strategy making, strategic culture plays a role only secondary to some critical material factors in setting up national objectives. In grand strategy implementation, material-rational based internal and external constraints are the determinants while strategic culture is subordinate within such an established framework.

1.3 The Contradictory Strategic Culture of China

As China prides itself on its longest-continuous civilization and enshrines history as its religion to a large extent, it is reasonable to assert that China's strategic culture is profoundly characterized by its history and tradition. However, as William Callahan questions, "which history and which tradition",⁶³ it is far from adequate to sketch out China's strategic culture only through the vague and general history and tradition, and its long history surely complicates this task. In fact, China's history and tradition are sometimes whitewashed while sometimes demonized for the same reason, namely, oversimplifying China's long history and tell only part of the story. As Maximilian Mayer asserts, China wields its history as "historical statecraft".⁶⁴ Although historical analogy is a powerful tool, it is dangerous to misuse it as a method for justifying instead of analyzing.⁶⁵ Therefore, for the purpose of reaching a comprehensive understanding of China's strategic culture and making clear how such a strategic culture helps shape China's overall strategic objectives and preferences, this thesis is tasked to identify what are the thoughts impacting Chinese strategists and how these thoughts impact.

1.3.1 The Glorious Ancient History

The "tributary system" (朝贡体系) and "Tianxia" (天下 all under heaven) are the most-cited concepts concerning ancient Chinese diplomacy. They are supposed to be so significant that contemporary Chinese strategists and people are still under their influence. Presumably, the self-proclaimed peaceful propensity shown by these two concepts is the hallmark distinguishing China from other ancient civilizations.

⁶³ Callahan, W.A., 2015. "History, Tradition and the China Dream: socialist modernization in the World of Great Harmony", *Journal of Contemporary China*, 24(96), pp.983-1001.

⁶⁴ Mayer, M., 2018. "China's historical statecraft and the return of history", *International Affairs*, 94(6), pp.1217-1235; Brands, H. and Suri, J. eds., 2015. *The power of the past: History and Statecraft*. Brookings Institution Press.

⁶⁵ Kopper, A. and Peragovics, T., 2019. "Overcoming the poverty of Western historical imagination: Alternative analogies for making sense of the South China Sea conflict", *European Journal of International Relations*, 25(2), pp.360-382.

The tributary system is a frequently-mentioned terminology to elaborate on China's diplomatic history and is claimed to shape China's strategic objectives and diplomacy today.⁶⁶ Academically speaking, the tributary system is a conceptual framework that embodies ancient China's perception of its prominent role in its world order, "Tianxia", and how China interplays with its subordinates, characterized by "Sino-Centrism". The tributary system mainly consists of three key components, i.e., the acceptance of China's hegemony defined by the rituals and norms in the hierarchical international structure, the trade relations manifested as tributes, and the cultural assimilation into Confucianism.⁶⁷ Echoing China's deepening engagement in international affairs and growing power, the term "neo-tributary" is coined as a new theoretical instrument to interpret China's contemporary foreign policy by historical analogies, which comprises Chinese exceptionalism, the linkage between trade and diplomacy, cultural assimilation and image building.⁶⁸

Although defined by hierarchy and Sino-centrism, some scholars are inclined to regard the tributary system as a benevolent world order which plays a positive role in fostering and maintaining peace, stability and prosperity in ancient East Asia. Contrary to the phenomenon and rhetoric, China's tributaries enjoy de facto equality and virtually "bandwagon" in the "Pax-Sinica". In this regard, to the scholars well-versed in Chinese culture, the reemergence of the tributary system seems to portend a more stable rather than more chaotic future of East Asia.⁶⁹

⁶⁶ Kang, D.C.O., 2010. *East Asia before the West: Five centuries of trade and tribute*. Columbia University Press; Cheow, E.T.C., 2004. *Asian security and the reemergence of China's tributary system*. Association for Asian Research (AFAR) website, 24; Forsby, A.B., 2011. "An End to harmony? The rise of a Sino-centric China", *Political Perspectives*, 5(3), pp.5-26.

⁶⁷ Evans, P., 2010. Historians and Chinese world order: Fairbank, Wang and the matter of "indeterminate relevance". *China and International Relations, the Chinese View and the Contribution of Wang Gungwu* (London: Routledge, 2010), pp.42-55; Fairbank, J.K., 1973. *The Chinese World Order. Traditional China's Foreign Relations*. Harvard University Press, pp. 1-19. Kang, D.C.O., 2010. *East Asia before the West: Five centuries of trade and tribute*. Columbia University Press; Fitzgerald, C. P. (1964) *The Chinese View of Their Place in the World*, London: Oxford University Press; Kang, D.C., 2008. *China rising: peace, power, and order in East Asia*. Columbia University Press.

⁶⁸ Pan, S.Y. and Lo, J.T.Y., 2017. "Re-conceptualizing China's rise as a global power: a neo-tributary perspective", *The Pacific Review*, 30(1), pp.1-25; Jacques, M., 2012. *When China rules the world: The rise of the middle kingdom and the end of the western world*. Penguin UK.

⁶⁹ Jacques, M., 2009. *When China rules the world: The end of the western world and the birth of a new global order*. Penguin; Kang, D.C.O., 2010. *East Asia before the West: Five centuries of trade and tribute*. Columbia

Another branch of scholars tends to interpret the tributary system from history instead of rhetoric, who asserts the tributary system is more a myth than historical reality. Ancient Chinese diplomacy was not so peaceful and harmonious as the conventional wisdom implied, but instead, historical archives bear witness to coercion and realism rather than ritual and morality. It is arguable that China has any sensible differences with other ancient empires. In addition, the self-proclaimed ritual relations which define the tributary system were self-righteous, according to China's tributaries which were ambivalent about being integrated into the Sino-centric hierarchy. Furthermore, China, or the dynasties representing "Zhengshuo" (正朔 legitimacy) of China and Chinese civilization, were sometimes too weak to maintain the tributary system, which awkwardly indicates the ultimate legitimacy of such an ethical system is based on power rather than morality. As a matter of fact, the chameleon-like strategies were common and Confucianism was merely treated as an official pretext in a series of historical events. Because of these, some scholars even contend the tributary system has never existed as a historical reality.⁷⁰

Tianxia is another remarkable concept. In a conceptual sense, Tianxia illustrates the Chinese worldview of regarding the world as a unified entity and stands for the Chinese persistent pursuits of benevolent governance. Contrary to the Westphalian system, as a competing worldview and organizing principle of states, Tianxia theory argues that the anarchy state of the international system is the root of disorder and being responsible to no superior authority will inevitably lead to discords. From the perspective of ancient Chinese political philosophers, "Zhi" (治 order and good governance), in opposition to

University Press; Kang, D.C., 2008. *China rising: peace, power, and order in East Asia*. Columbia University Press; Yongnian, Z. ed., 2010. *China and international relations: The Chinese view and the contribution of Wang Gungwu*. Routledge.

⁷⁰ Phillips, A., 2018. "Contesting the Confucian peace: Civilization, barbarism and international hierarchy in East Asia", *European Journal of International Relations*, 24(4), pp.740-764; Perdue, P.C., 2015. "The tenacious tributary system", *Journal of Contemporary China*, 24(96), pp.1002-1014; Westad, O.A., 2012. *Restless empire: China and the world since 1750*. Hachette UK; Rossabi, M. ed., 1983. *China among equals: the Middle Kingdom and its neighbors, 10th-14th centuries*. University of California Press; Yang, L.S., 1968. *Historical notes on the Chinese world order. The Chinese world order*, 33; Wang, G., 2013. *Renewal: the Chinese state and the new global history*. Chinese University Press.

“Luan”(亂 disorder), is the elementary requirement for politics and the prerequisites for any improvements, that is to say, stability should be the primary concern of ruling. These thoughts evolve to “stability” (穩定) and “Guotai Minan” (国泰民安 country in prosperity and people in peace), which have long been treasured by the Chinese. Given the tumultuous modern history and the requirement of developing economy, “Zhi” is further tailored and constitutes the theoretical base of “maintaining stability” (维稳) today. Another notable feature of Tianxia is that it is an expandable and inclusive social structure rather than a rigorous nation-state political system, in other words, the world should be perceived as an intact unit. On this point, Tianxia inherently embraces “Wuwai” (无外 all people and nations are included) and “Tianxia Weigong” (天下为公 the world belongs to and politics is for all the people, the public spirit should be the ruling principle), setting up a holistic framework to coordinate the interests of every country and people.⁷¹ Accordingly, in the ethical Tianxia, “De” (德 virtue and morality) is enshrined as ruling principle of “Tianzi” (天子 the son of heaven), thus “Wangdao” (王道 ethical and benevolent rule), contrary to “Badao” (霸道 rule by tyranny and coercion), is adopted to govern the world and win the hearts of people. In Confucian values, the ultimate status of morality for rulers culminates at “Neisheng Waiwang” (内圣外王 accomplishing sage and holy in mind while ruling morally and benevolently), which morally restrains the adoption of military measures and encourages “Xiu Wende” (修文德 consolidate ethical rule and improve cultural appeal) to maintain the peace of Tianxia.⁷²

Likewise, Tianxia should be considered as a branch of thought rather than political and historical reality when interpreted from the historical lens. In general, Western IR academia regards China as a revisionist seeking to challenge the current international order and the dominant neoliberal values and norms. They maintain that Tianxia

⁷¹ Zhao, T., 2005. *The Tianxia system: A Philosophy for the World Institution*. Nanjing: Jiangsu jiaoyu chubanshe; Zhao, T., 2006. “Rethinking Empire from a Chinese Concept ‘All-under-Heaven’”, *Social Identities*, 12(1), pp.29-41; Tingyang, Z., 2009. “A Political World Philosophy in terms of All-under-heaven (Tian-xia)”, *Diogenes*, 56(1), pp.5-18; Zhao, T., 2012. *All-under-heaven and methodological relationism: An old story and new world peace*.

⁷² Yan, X. and Xu, J., 2009. *Wangba Tianxia Sixiang ji Qidi [Thoughts of World Leadership and Implications]*. Beijing: Shijiezhishi chubanshe.

somewhat misleads the public's understanding by telling a partial history of China while exaggerating the drawbacks of the Westphalian system. In this regard, the interpretation of Tianxia is no longer a simple academic debate, but touching upon some more sensitive issues, such as whether China will rewrite the regional and global order with its self-defined rules and norms and whether China is as peaceful and benign as claimed by itself.⁷³

In a broader sense, the discussions about the tributary system and Tianxia are supposed to answer three critical questions. Firstly, whether the strategic culture of China is as peaceful as these concepts indicate. Secondly, how the strategic culture of China will influence it to define its identity in the contemporary international system. The answers to the first two questions decide the answer to the third one, whether China will be driven by its strategic culture to resort to coercive measures to reclaim its past glory.

To begin with, some scholars are suspicious of China's purportedly peaceful strategic culture from the theoretical perspective. In Alastair Iain Johnston's research to "Wujing Qishu" (武经七书 Seven Military Classics) and the case study of Ming dynasty, he argued that China's strategic culture was dominated by "parabellum", a similar concept to realpolitik in Western notion, instead of the assumed peaceful "Confucian-Mencian paradigm", which was the product of idealpolitik and seldom prevailed in the strategy making in Chinese history. Despite the fact that Chinese statesmen and scholars are fond of quoting Confucius and Mencius to illustrate China's peaceful propensity, the parabellum-dominated Chinese strategic culture seems to have more bearing on China's foreign policy nowadays.⁷⁴ China's self-claimed peaceful strategic culture is also

⁷³ Chang, C., 2011. "Tianxia system on a snail's horns", *Inter-Asia Cultural Studies*, 12(1), pp.28-42; Callahan, W.A., 2008. "Chinese Visions of World Order: Post-hegemonic or a New Hegemony?", *International Studies Review*, 10(4), pp.749-761; Carlson, A., 2011. "Moving Beyond Sovereignty? A brief consideration of recent changes in China's approach to international order and the emergence of the Tianxia concept", *Journal of Contemporary China*, 20(68), pp.89-102; Dreyer, J.T., 2015. "The 'Tianxia Trope': will China change the international system?", *Journal of Contemporary China*, 24(96), pp.1015-1031; Zhao, S., 2015. "Rethinking the Chinese World Order: the imperial cycle and the rise of China", *Journal of contemporary China*, 24(96), pp.961-982; Callahan, W.A., 2008. "Chinese Visions of World Order: Post-hegemonic or a New Hegemony?", *International Studies Review*, 10(4), pp.749-761.

⁷⁴ Johnston, A.I., 1998. *Cultural realism: Strategic culture and grand strategy in Chinese history*. Princeton University Press; Scobell, A., 2002. *China and strategic culture*. DIANE Publishing.

challenged by Chinese scholars. One of China's peak dynasties, Han, and Song, a dynasty infamous for military weakness, can be taken as the indicators to measure China's strategic culture in different situations. The imperialism and expansionism of the Han dynasty were impressive and its civilizational imperialism was also similar to the European colonialists' expansions under the Christian banners in the New World. The offensive strategic traditions, namely, vehement annihilation wars and expeditions repeatedly occurred in history records, notably symbolized by "Mingfan Qianghanzhe, Suiyuan Bizhu" (明犯强汉者, 虽远必诛 those who dare to violate the interests of mighty Han Empire will undoubtedly be annihilated no matter how far they are).⁷⁵ Concerning the Song dynasty, Zeng Ruilong pointed out in his case study of the Song-Liao war that Song's strategic culture was mainly composed of bureaucracy and military, which accentuated the flexible adoption of peaceful or offensive methods. The aim of repossessing "Yanyun Shiliuzhou" (燕云十六州 Sixteen Prefectures in the north) sometimes motivated Song's rulers to resort to opportunism, namely, to launch large-scale and rapid assaults against Liao and other enemy states when they were in decline.⁷⁶ In a broader sense, during the prime time of Han, Sui, Tang, Ming dynasty, China was inclined to launch expeditions to subjugate surrounding rivals for national security, even the Song dynasty waged continuous wars against Xixia to ensure border safety and intended to annex it. In this regard, Warren Cohen asserts in one word, "historically, a strong China has brutalized the weak."⁷⁷

To the second question, the notion of "Tianchao Shangguo" (天朝上国 the Celestial Empire) inevitably impacts China's worldview today. China is always proud of its long history, huge population and extensive territory, and identify itself as a kind of existence beyond nation-states. Partly as Lucian Pye suggests, "China is a civilization pretending to be a state."⁷⁸ The long-held "Sino-Centrism" tradition unconsciously impels China

⁷⁵ Shi Yinhong, "Armed China: millennium strategic culture and its diplomacy implications", *World Economics and Politics*, No.6, 2011 (时殷弘:《武装的中国:千年战略传统及其外交意蕴》,《世界经济与政治》).

⁷⁶ Zeng Ruilong, *Wars in youyan district, 979-987: the strategic analysis to military disasters of Song-Liao war*, Peking University Press, 2013.

⁷⁷ Cohen, W.I., 2007. "China's rise in Historical Perspective", *Journal of Strategic Studies*, 30(4-5), pp.683-704.

⁷⁸ Lucian Pye, China: Erratic State, Frustrated Society, <https://www.foreignaffairs.com/articles/asia/1990-09-01/china-erratic-state-frustrated-society>.

to pursue the titles like “the largest”, “the first” or “the center”, and China’s rapidly growing economy also fuels these ambitions and empowers China to fulfill them.

Concerning the third question, as illustrated in section 1.2, material-rational based internal and external constraints, rather than strategic culture, should be regarded as the determinants of strategic behavior. Strategic realism is the foundation of any countries’ grand strategy while strategic culture is of secondary importance in the making and implementation of grand strategy. In this regard, given the fact that strategic culture is not the overarching factor determining China’s strategy, it is misleading to decipher if China will resort to military measures for revisionism by interpreting whether China’s strategic culture is as peaceful as it claims.

To sum up, theoretically and historically speaking, it is reasonable to argue that China has a peaceful strategic culture and is inclined to maintain international peace and stability in general, which is influenced by the legacy of its predominant status in the ancient Eastern Asian world order. China’s glorious history also defines its strategic culture by urging it to pursue the identity of “central place”. However, all of these utopian concepts are still based on power politics.⁷⁹ When confronted with strategic menaces, ancient China also tended to be jingoistic as other empires. On this point, the critical distinction between China and other ancient empires lies in the Confucian values and norms, which legitimizes China’s resort to the military method but also keeps China from the abuse of violence.

1.3.2 The Humiliating Modern History

Interpreting China’s strategic culture from its ancient history is far from illustrating a complete picture because China’s history is prominently divided into two categories,

⁷⁹ Wang, Y.K., 2010. *Harmony and war: Confucian culture and Chinese power politics*. Columbia University Press.

i.e., glorious ancient history and the “Century of Humiliation” (1840-1949 百年国耻). In addition, given the fact that the CPC shapes the People’s Republic of China (PRC) through revolution and modernization as the ruling party, its strategic culture has become an indispensable part of China’s strategic culture nowadays.

To begin with, in terms of continuity, the CPC’s strategic culture largely inherits the peaceful, ethical doctrines and Confucian propensity from ancient Chinese traditions. As Mao Zedong era (1935-1976) was shaped by the Second World War, the Chinese People’s Liberation War (1946-1949), the Korean War (1950-1953) and the Cold War, Mao had to be an offensive realist who believed “political power grows out of the barrel of a gun” (枪杆子里面出政权). However, when Mao had contrived to exempt China from the predicament of survival, his successor, Deng Xiaoping, backtracked to the Chinese ethical strategic tradition. Deng readjusted China’s grand strategy when he pointed out that peace and development were the mainstream of era. He concluded that China should take advantage of this strategic period of opportunity to focus on economic constructions, enshrining “hide strength, bide time and keep a low profile” (韬光养晦) as the diplomatic principle.⁸⁰ Deng’s successor, Jiang Zemin put forward “the New Security Concept” (新安全观) being characterized by “mutual-trust, mutual-benefit, equality and cooperation”. He further reaffirmed that cooperation and coordination rather than the use of force should be enlisted as the main method to address international affairs. Subsequently, Hu Jintao presented the concept of “Harmonious World” (和谐社会), which is a contemporary version of “Tianxiaism”. Till now, this trend culminates in Xi Jinping’s “Community with a Shared Future for Mankind”, which refers to the most sublime dream of Confucianism, “a utopian world vision that everyone lives in peace and prosperity” (大同).⁸¹

⁸⁰ With respect to the accurate translation of this terms, there are some discussions, please see Translator Association of China, http://tac-online.org.cn/ch/tran/2010-06/30/content_3586864.htm

⁸¹ Feng, H., 2007. *Chinese strategic culture and foreign policy decision-making: Confucianism, leadership and war*. Routledge; Feng, H., 2005. “The operational code of Mao Zedong: defensive or offensive realist?”, *Security Studies*, 14(4), pp.637-662; Feng, H., 2005. “China’s defensive strategic culture”, *Science of International Politics*, (4), pp.1-23.

As a Marxist party, the CPC embraces internationalism and egalitarianism. When these concepts hold sway, the side effects of the tributary system, such as hierarchism, are supposed to be neutralized in China's strategic culture. In fact, internationalism and egalitarianism are in concert with Chinese traditional egalitarian thoughts, represented by "do those aristocrats really have blue blood" (王侯将相宁有种乎) and "be generous to the people all around the world when you are rich and powerful" (达则兼济天下). As the incarnation of the CPC's strategic culture of internationalism and egalitarianism, the "Five Principles of Peaceful Coexistence" (和平共处五项原则)⁸² are enshrined as the doctrines for China to tackle international affairs. China adheres to these principles even under negative circumstances, reassuring the outside world that China will never seek hegemony at the expense of the weaker countries. China also proposes the "Democratization of International Relations" (国际关系民主化) to elevate the political status of developing countries while contributing a growing number of aid and other international public goods to developing countries economically.⁸³ In this regard, China vows to "be generous to the countries all around the world when it becomes more rich and powerful".

Nevertheless, it is undeniable that power politics and realism are the underpinnings of the CPC's strategic culture, which shows the continuity of China's strategic culture of "ethical face-realistic heart". Despite being regulated by a wide array of norms and treaties, anarchy is still the prerequisite of the contemporary international system. In this regard, contrary to the diversified academia, statesmen share common points in choosing realism as the overarching method in practice because intentions are obscure, security is the priority and strength is the last resort of peace and survival.⁸⁴ Specific

⁸² Mutual respect for each other's territorial integrity and sovereignty; mutual non-aggression; mutual non-interference in each other's internal affairs; equality and cooperation for mutual benefit; peaceful co-existence.

⁸³ The State Council of the PRC, China's aids to foreign countries (2014), http://www.gov.cn/zhengce/2014-07/10/content_2715467.htm; The State Council of the PRC, Chinese delegates appealed the democratization and legalization of international relations, http://www.gov.cn/xinwen/2016-02/16/content_5041506.htm; Xinhua Net, Xi's discourse at the 19th National Congress of the Communist Party of China still emphasized the "Five Principles of Peaceful Coexistence", http://www.xinhuanet.com/english/download/Xi_Jinping's_report_at_19th_CPC_National_Congress.pdf.

⁸⁴ Waltz, K.N., 2010. *Theory of international politics*. Waveland Press; Mearsheimer, J.J., 2001. *The tragedy of great power politics*. WW Norton & Company; Gilpin, R., 1983. *War and change in world politics*. Cambridge University Press; Gilpin, R., 2016. *The political economy of international relations*. Princeton University Press;

to China, historically speaking, as scholars like Alastair Iain Johnston and Zeng Ruilong have argued, the Confucian-Mencian approach has never been put into practice, and theoretical construction and implementation are divergent in its strategic culture.⁸⁵ Regarding modern history, the historical memories of the “Century of Humiliation” fuels this predisposition. As a result, viewed from the PRC’s consecutive engagements in the Korean War (1950-1953) and the Vietnam War (including the First Indochina War (1946-1954), the Vietnam War (1955-1975) and Sino-Vietnamese War (1979) and Sino-Vietnamese conflicts (1979-1990)), it is notable that China adheres to (offensive) realism and prefers to take preemptive actions for the purpose of keeping the hostile powers at arm’s length, especially on land. Concerning the contemporary international and surrounding environments, both realism and military deterrence are indispensable to China’s diplomacy when playing great powers games on the issues of North Korean nuclear weapons, Taiwan and the South China Sea.

China’s strategic culture is inscribed with some senses of insecurity and victimhood, owing to the motto “lagging in development leads to humiliation” (落后就要挨打) drawn from the unforgiving “Century of Humiliation”. Furthermore, given the fact that CPC rises against such a historical backdrop, “being mindful of the potential dangers and difficulties ahead” (忧患意识) and “self-reliance” (独立自主) are emphasized repeatedly in the CPC’s strategic culture.⁸⁶ Due to the history of being invaded and humiliated, as Xi Jinping recalls, “with the Opium War of 1840, China was plunged into the darkness of domestic turmoil and foreign aggression, its people ravaged by war, saw their homeland torn apart and lived in poverty and despair”. Therefore, China’s modern strategic culture is deeply affected by a “sense of victimhood” which renders

Walt, S.M., 1990. *The origins of alliance*. Cornell University Press; Walt, S.M., 1991. “The renaissance of security studies”, *International Studies Quarterly*, 35(2), pp.211-239.

⁸⁵ There have been some researchers emphasized the duality of China’s strategic culture, please see Wang, G., 1968. *Early Ming Relations with South-east Asia: A Background Essay*. Harvard University Press; Johnston, A.I., 1998. *Cultural realism: Strategic culture and grand strategy in Chinese history*. Princeton University Press; Scobell, A., 2002. *China and strategic culture*. DIANE Publishing.

⁸⁶ See Wang, Z., 2014. *Never forget national humiliation: Historical memory in Chinese politics and foreign relations*. Columbia University Press; Callahan, W.A., 2004. “National insecurities: Humiliation, salvation, and Chinese nationalism”, *Alternatives*, 29(2), pp.199-218; Callahan, W.A., 2006. “History, identity, and security: Producing and consuming nationalism in China”, *Critical Asian Studies*, 38(2), pp.179-208.

China keep a wary eye on international affairs. Specifically, this entrenched suspicion is of the West, especially of the US. In terms of ideology, as a people's republic adopting socialism, China is sharply distinct from the West. More importantly, the four modern incidents of "national humiliations" in the 1990s and the early 2000s irreversibly exacerbated China's mistrust of the US.⁸⁷ Provoked by these humiliations consecutively, Chinese policymakers were obliged to cling to "self-reliance" even in a globalization era. To them, it is wishful thinking to count on the justice of the international order and the benevolence of hegemony for peace and security, what matters the most is China's own strength.

For the purpose of overcoming this sense of insecurity, China is driven to prioritize "development" (发展) and "self-reliance" in its grand strategy, as a result, China's strategic culture is marked by these two characteristics. Specifically speaking, the success of grand strategy hinges on not only the outstanding allocation of resources but also the expansion of available resources. Plentiful resources can outmaneuver skills in most circumstances. As a rising power whose potential has yet to be fully exploited, China prefers to emphasize increasing its available resources by industrial upgrade and economic growth.⁸⁸ In addition to the "self-reliance" in the political realm, China is compelled to adhere to "self-reliance" in the economic realm as well. China is subject to export control by the Wassenaar Arrangement in the field of conventional arms and dual-use goods and technologies, which requires China to develop its independent technological system.⁸⁹ In the process of building a self-reliant technological system, the precarious reliance on imports also renders China vulnerable to be taken advantage of by the rivals. The case that the US imposed sanctions on selling upstream chips to China's telecom giant ZTE fully illustrated this point. Due to the monopolistic advantage of US enterprises in this realm, ZTE was supposed to be driven out of

⁸⁷ Four modern incidents of "national humiliations" are the Yinhe Incident in 1993, the third Taiwan Strait Crisis in 1996, the US bombing of the Chinese embassy in Belgrade in 1999 and the Hainan Island Incident in 2001.

⁸⁸ Goldstein, A., 2005. *Rising to the challenge: China's grand strategy and international security*. Stanford University Press, pp.13.

⁸⁹ For further read, please see The Wassenaar Arrangement, About us, <https://www.wassenaar.org/about-us/>.

business if US sanctions were fully implemented.⁹⁰ The repeated happenings of this kind of crisis underline the significance of “self-reliance” for Chinese policymakers. Meanwhile, the predicament of ZTE was dubbed as China’s “Sputnik Moment” by the New York Times, which indicates China’s “self-reliance” strategic culture is also partly recognized by the West.⁹¹

The entrenched suspicion of the West, or a “sense of victimhood”, drives China to adopt a somewhat hypersensitive attitude towards the issues related to its “core interests”, in particular sovereignty and territorial integrity. The “core interests” rhetoric was initially applied in response to Taiwan’s growing moves towards independence, and was further extended to the issues of Tibet and Xinjiang. Later on, with the broadening of China’s maneuvers in the disputed maritime regions, the Senkaku/Diaoyu islands and the South China Sea were also taken into this discourse. On these issues, China’s responses are more than conventional diplomatic protests and condemnation, it never hesitates to display assertiveness and imposes considerable pressure and sanctions on the countries which are supposed to violate its “core interests”, such as the ones which permitted the 14th Dalai Lama to steal the limelight.⁹² In some minor affairs, for instance, some international airlines listed Taiwan as a “state” rather than a region of China, China took a tough stance to urge them to comply with Chinese rules or faced “unspecified legal action”.⁹³ Therefore, contrary to the received wisdom that China’s sense of victimhood is a unilateral construction by the CPC through which to bolster its legitimacy as the protector of Chinese people,⁹⁴ this thesis suggests that this is in a larger sense a product

⁹⁰ Reuters, US ban on sales to China’s ZTE opens fresh front as tensions escalate, <https://www.reuters.com/article/us-china-zte/u-s-ban-on-sales-to-chinas-zte-opens-fresh-front-as-tensions-escalate-idUSKBN1HN1P1>.

⁹¹ The New York Times, ZTE’s Near-Collapse May Be China’s Sputnik Moment, <https://www.nytimes.com/2018/06/10/technology/china-technology-zte-sputnik-moment.html>.

⁹² Campbell, C., Meick, E., Hsu, K. and Murray, C., 2013. *China’s “Core Interests” and the East China Sea* (pp. 1-7), US-China Economic and Security Review Commission; Security Law Suggests a Broadening of China’s ‘Core Interests’, <https://cn.nytimes.com/china/20150703/c03chinamemo/en-us/>; Boon, H.T., 2017. “Hardening the Hard, Softening the Soft: Assertiveness and China’s Regional Strategy”, *Journal of Strategic Studies*, 40(5), pp.639-662; People.cn, Dai Bingguo, Stick to the path of peaceful development, <http://cpc.people.com.cn/GB/64093/64094/13460505.html>.

⁹³ Financial Times, Airlines face China deadline over Taiwan references, <https://www.ft.com/content/435a8bae-5f20-11e8-9334-2218e7146b04>.

⁹⁴ He, Y., 2009. *The Search for Reconciliation: Sino-Japanese and German-Polish Relations since World War II*. Cambridge University Press; Foot, R., 2019. “Remembering the past to secure the present: Versailles legacies in a resurgent China”, *International Affairs*, 95(1), pp.143-160; Chong, J.I., 2014. “Popular narratives versus Chinese

of mutual-constructing by the CPC and the West. From the Chinese perspective, the West's discriminatory treatments and double standards regarding China, which are caused by Western-centrism and ideological bias, are the main culprits aggravating China's mistrust of the West and the sense of victimhood.

In conclusion, considering the above-mentioned strands, this thesis argues that duality characterizes China's strategic culture, the Confucian-Mencian discourse is the nominal preference while power is the mainstay. As the idealpolitik side, the Confucian-Mencian tradition and the long-held emphasis on "the cardinal principles of righteousness" (大义名分) basically maintain China's grand strategy in a pacifist and ethical trajectory. The realpolitik side will be activated, reinforced and then dominate China's grand strategy when China finds itself insecure, unfairly treated or underrepresented. China's strategic culture also features the pursuit of "central position", entrenched suspicion of the West, hypersensitive to guarding the "core interests" and emphasizing "development" and "self-reliance". These hallmarks of China's strategic culture define China's strategic objectives in grand strategy making and shape preferences in grand strategy implementation.

1.4 Methodology

For the purpose of painting a full picture of how the BRI serves China's grand strategy, this thesis generally adopts a qualitative and empirical paradigm and employs a realist-based approach. This thesis also cross-refers to a wide range of data and statistics from different sources, seeking to reinforce the evidence-based arguments and reach a deeper and more precise understanding of the BRI. As defined in Section 1.2, grand strategy is more a holistic worldview than a branch of IR theory, boasting an integrated perspective to interpret international affairs. In this thesis, the working definition of

history: Implications for understanding an emergent China", *European Journal of International Relations*, 20(4), pp.939-964.

grand strategy mainly refers to realism, neorealism, liberalism neoclassical realism, constructivism and even realpolitik. In this regard, this thesis suggests that the relation between different theories is more complementary than competing, which is in line with the truce of the “Great Debates” in IR academia. As David Lake argues, the forceful theoretical debate impedes the development of an integrated body of knowledge for IR. “We may be witnessing the demise of a particular kind of grand theory, but theory in the plural lives.”⁹⁵ According to Tim Dunne, beyond “theoretical synthesis” and “grand strategy of everything”, an approach of “integrative pluralism” should be valued as it “accepts and preserves the validity of a wide range of theoretical perspectives and embraces theoretical diversity as a means of providing more comprehensive and multi-dimensional accounts of complex phenomena”.⁹⁶ Therefore, the integrative pluralism approach sets the theoretical foundation for the grand strategy worldview and research paradigm. Based on such a theoretical approach, grand strategy establishes a descriptive and interpretive framework to generalize the seemingly haphazard strategic actions of a country and helps researchers view them in a unified and consistent perspective.

While preserving an integrative pluralism approach, this thesis primarily adopts a realist approach (a synthesis of realism, neorealism and neoclassical realism), determined by China’s strategic culture. As illustrated in Section 1.3, driven by the inherent discrepancy in values and norms and the historical and modern “national humiliations”, China tends to view the West with a vigilant eye, which sets the basic tone for China’s grand strategy and diplomacy. In this regard, China prefers to follow a realist and neorealist approach, or a more “antique” realpolitik. Moreover, given the adherence to the Marxist creed that the economic base determines the superstructure, China is inclined to interpret international affairs in a material-rational lens. As a result, even issues such as the setting up of values and norms will be interpreted in a material instead of a constructivist approach. Furthermore, as a continental-level developing country,

⁹⁵ Lake, D.A., 2013. “Theory is dead, long live theory: The end of the Great Debates and the rise of eclecticism in International Relations”, *European Journal of International Relations*, 19(3), pp.567-587.

⁹⁶ Dunne, T., Hansen, L. and Wight, C., 2013. “The end of International Relations theory?”, *European Journal of International Relations*, 19(3), pp.405-425.

China is inclined to prioritize domestic affairs over foreign affairs. As shown in the Chinese official discourse, diplomacy should serve domestic development and “the great rejuvenation of the Chinese nation”. In this sense, unlike neoclassical realism in which domestic variables are perceived as intervening variables that may accelerate or slow down the transitions in foreign policy,⁹⁷ domestic affairs themselves are the principal variables shaping China’s foreign policy. In this way, a foreign policy analysis (FPA) perspective which takes more domestic factors into consideration seems to provide a better framework than the IR theories to analyze China’s diplomacy.⁹⁸ In other words, a domestic affairs-oriented perspective is critical for the research towards China’s grand strategy. Therefore, based on China’s strategic culture, Marxist creed and China’s diplomatic tradition of pragmatism of flexibility, it is well-grounded to argue that realism is the best lens to analyze the BRI and China’s grand strategy. The FPA and realist lens also enables this thesis to analyze other great powers’ fundamental national interests, such as the US, Russia, India and Germany. Such analyses allow this work to break China’s overall relations with other great powers down into an issue by issue state, in order to identify what are the shared interests and clash points between them, making the arguments in this thesis more sophisticated and nuanced.

This thesis refers to a wide range of primary and secondary sources to substantiate the arguments, including official statements, documents and statistics, enterprise press releases, academic literature, think tank reports and statistics, and journal and media reports. All these sources adopted are public and helpful to make up a whole picture of the BRI and China’s grand strategy. Given the multiplicity and all-inclusiveness of grand strategy, this thesis not only adopts a variety of approaches to reach an integrated understanding but also touches upon multiple realms of knowledge, including economy, politics, global trade, geopolitics, military and even engineering, aiming to build a framework as complementary as possible to interpret China’s grand strategy and the

⁹⁷ Rose, G., 1998. “Neoclassical realism and theories of foreign policy”, *World politics*, 51(1), pp.144-172.

⁹⁸ Kaarbo, J., 2015. “A foreign policy analysis perspective on the domestic politics turn in IR theory”, *International Studies Review*, 17(2), pp.189-216.

BRI. This thesis also cross-examines and cross-refers the information collected from different sources, especially from both China and the West whenever possible, trying to be free from the influence of Western-centrism or Sino-centrism and ideological bias. Given the fact that the BRI is an evolving strategy and the research of this thesis is at the leading edge, the existing literature contributes to this study mainly in terms of paradigm, methodology and thinking method. This work chiefly resorts to primary sources to keep track of the latest development of the BRI.

The accessible sources can roughly be classified into three complementary types: firstly, official statements, documents and statistics and enterprise press releases; secondly, academic literature and think tank reports and statistics; and thirdly, journal and media reports, sequenced by reliability. The first kind of source is mostly released on the official websites of government agencies such as the National Bureau of Statistics and the General Administration of Customs, providing the most credible information and statistics to set the cornerstone of this thesis's arguments. The second kind of source is mainly secondary source that provides my research with theoretical guidance. In addition, there are academic websites such as Foreign Affairs, think tanks such as the Reconnecting Asia Project run by the Center for Strategic and International Studies, as well as industrial associations such as China Global Investment Tracker managed by American Enterprise Institute, allowing this thesis to keep up with the latest academic progress and get access to the compiled "big data". The third kind of source is primarily flagship media like Xinhua News Agency, Reuters, Financial Times and the New York Times. The wide coverage of these sources helps this study take different factors into account while the balanced reports from both China and the West enable this thesis to take in contending perspectives to view international affairs from both sides. The three mutual-supporting branches of source enhance the reliability and objectivity of the arguments in this thesis.

Chapter Two: The “Center of Production and Trade” and a “Norm-Maker”: The Cornerstone of China’s Grand Strategy Making

2.1 Whether China has a grand strategy

As illustrated in Chapter One, a grand strategy perspective is indispensable for scholars to reach a comprehensive and profound understanding of the BRI, thus the study of China’s grand strategy making is deemed the prerequisite of any in-depth research to the BRI. Therefore, the first step of such studies is to make clear whether China has a grand strategy. Due to the opacity of China’s decision-making system and the nebulousness of its official narratives, it is difficult to make certain of it by looking into the documents and works of the official mouthpieces, i.e., what the Chinese government has said. Instead, this thesis suggests another approach, focusing on what the Chinese government has done and intends to do driven by its strategic objectives and national interests, so as to better reach the answer.

In the Chinese language context, the concept of “grand strategy” (大战略) is rarely perceived as terminology and has seldom been applied rigorously. Through searching the official website of the Chinese central government, it is noteworthy that only one formal document employs this concept as “grand strategy of regional coordinated, joint and common development”.⁹⁹ As far as other official media are concerned, mainly the Xinhua News Agency and the People’s Daily, the usage of this word is more casual and general, ranging from economic development to environmental protection.¹⁰⁰ The application of “grand strategy” in academia is flexible and trans-dimensional as well.

⁹⁹ The State Council of the PRC, Instructions on further strengthening poverty alleviation works by East-West regional coordination by General Office of CPC and General Office of the State Council, http://www.gov.cn/gongbao/content/2017/content_5156730.htm.

¹⁰⁰ Xinhua Net, Xi Jinping presides over the 38th conference of Central Leading Group for Comprehensively Deepening Reforms, http://www.xinhuanet.com/politics/2017-08/29/c_1121565529.htm.

Through searching keyword “grand strategy” on the most popular academic journal website in China, CNKI, 634 results are about China and international politics, 555 ones about the economic institutional reform, 546 ones about the industrial economy, 309 ones about the macro-economy management and sustainable development.¹⁰¹ In this regard, it is obvious that “grand strategy” is an often invoked but seldom critically defined concept in China. It might be more confusing than clarifying to cling to this approach. It makes more sense to switch to another approach, namely, observing whether China is acting in a consistent logic to attain its strategic goals.

The studies on whether the US has a grand strategy provide a useful reference.¹⁰² To the mainstream, the answer is yes. According to Patrick Porter, US grand strategy has persisted since the end of the Cold War, remaining committed to a grand strategy of “primacy”, which is composed of military preponderance, dominance in key regions, the containment and reassurance of allies, nuclear counterproliferation, and the economic “Open Door”.¹⁰³ Hal Brands argues that US grand strategy features both continuity and change over time. The former reflects the major drivers of its statecraft, including geography, liberal values, power position and commitment to shaping the global order through assertive economic, diplomatic and military engagement. As for the latter, different leaders may make different choices in terms of degree, specific issues, regions and tools selection.¹⁰⁴ In history, Franklin Roosevelt’s overarching framework during WWII, namely, “Europe first”, is widely considered as a textbook implementation of grand strategy.¹⁰⁵ In Harry Truman’s administration (April 1945-January 1953), George Kennan laid the foundation of the containment strategy with the

¹⁰¹ CNKI.net, http://kns.cnki.net/kns/BRIef/default_result.aspx searched on 25/10, 2017.

¹⁰² For example, Posen, B.R., 2014. *Restraint: A new foundation for US grand strategy*. Cornell University Press; Posen, B.R., 2008. *A grand strategy of restraint. Finding Our Way: Debating American Grand Strategy*, Center for a new American security, pp.81-102; Dueck, C., 2008. *Reluctant crusaders: power, culture, and change in American grand strategy*. Princeton University Press; Hemmer, C., 2015. *American pendulum: recurring debates in US grand strategy*. Cornell University Press.

¹⁰³ Porter, P., 2018. “Why America’s Grand Strategy Has Not Changed: Power, Habit, and the US Foreign Policy Establishment”, *International Security*, 42(04), pp.9-46.

¹⁰⁴ Brands, H., 2016. “Barack Obama and the Dilemmas of American Grand Strategy”, *The Washington Quarterly*, 39(4), pp.101-125.

¹⁰⁵ McDougall, W.A., 2010. “Can the United States do grand strategy?”, *Orbis*, 54(2), pp.165-184; Biddle, T.D., 2011. “Leveraging strength: The pillars of American grand strategy in World War II”, *Orbis*, 55(1), pp.4-29; Overy, R., 2012. *Why The Allies Won*. Random House.

“X Article” and the “Long Telegram”, and became known as the “chief architect” of US Cold War grand strategy.¹⁰⁶ Therefore, US grand strategy is relatively stable as US overall strategic objectives in both material and conceptual terms remain basically unchanged during a long period of time, although the preferences of grand strategy making may vary from president to president. However, when the overall strategic objectives are adjusted, US grand strategy will be transformed accordingly, which is in line with the “strategic objectives-oriented” approach of definition in this thesis.

Referring to the studies of US grand strategy, laying out the grand strategic objectives of China comprehensively is the premise for interpreting China’s grand strategy. Like George Kennan’s five parts in “The Sources of Soviet Conduct”, these strategic objectives constitute a rationale for understanding China’s diplomatic actions and provide scholars with a conceptual framework to illustrate China’s grand strategy.¹⁰⁷ It is not difficult to identify the overall strategic ambition of China, as the CPC itself has repeatedly stated, “the great rejuvenation of the Chinese nation” (中华民族伟大复兴) is the definite answer. Historically speaking, struggling for the rejuvenation of China is a long-standing dream of Chinese people since the decline of the Qing dynasty from the late 19th century. Before “the great rejuvenation of the Chinese nation” was proclaimed, “the rejuvenation of China” (振兴中华) was the war cry of this dream which was primitively proposed in the statutes of the “Revive China Society” (兴中会) founded by Sun Yat-sen in 1895.¹⁰⁸ A century on, this informal but soul-stirring slogan encouraged Chinese people to march on the path towards rejuvenation. Therefore, on the 15th National Congress of the CPC in 1997, Jiang Zemin initially adopted the concept of “the great rejuvenation of the Chinese nation” as the evolution of its early 1900s precursor against the new era backdrop and officially reassured the significance of this creed.¹⁰⁹ This concept matured under the tenure of two general secretaries of

¹⁰⁶ Gaddis, J.L., 2005. *Strategies of containment: a critical appraisal of American national security policy during the Cold War*. Oxford University Press; Gaddis, J.L., 2011. *George F. Kennan: An American Life*. Penguin.

¹⁰⁷ Kennan, G.F., 1946. “The sources of Soviet conduct”, *Foreign Aff.*, 25, pp.566.

¹⁰⁸ Sun Yat-sen, The statutes of the Revive China Society, <http://www.sunyat-sen.org/sundb/sundbzz/show.php?id=302>.

¹⁰⁹ People.cn, Jiang Zemin’s speech on the 15th National Congress of the CPC, <http://cpc.people.com.cn/GB/64162/64168/64568/65445/4526285.html>.

the CPC, Jiang Zemin and Hu Jintao. When Xi Jinping assumed office, his original conception “Chinese Dream” (中国梦) was the latest manifesto of this slogan. On his visit to the “path of rejuvenation” (复兴之路) exhibition when the 18th National Congress of the CPC concluded, he introduced his “Chinese Dream” and defined that “accomplishing the great rejuvenation of the Chinese nation is the greatest dream of the Chinese nation since modern times”. He reaffirmed this in his speech on the 19th National Congress of the CPC, the term “the great rejuvenation of the Chinese nation” was mentioned 24 times and was entitled as the “historical mission”.¹¹⁰

Compared with other countries, the most notable characteristics of China’s grand strategy making is that China has a potent and stable “leadership core” (领导核心)—the CPC. As a “vision-driven party” (使命型政党) in Zheng Yongnian’s words,¹¹¹ the CPC has a clear direction which has been manifested repeatedly by its leaders, namely, to bring “the great rejuvenation of the Chinese nation” to completion. As Chairman Xi asserts, “the CPC has shouldered the historic mission of rejuvenating the Chinese nation ever since its birth”.¹¹² “To achieve socialist modernization and rejuvenation of the Chinese nation” have been defined as the main objectives of building socialism with Chinese characteristics. Fulfilling the great rejuvenation of the Chinese nation is also regarded as the mission of Xi Jinping thought on diplomacy.¹¹³ Given the fact that such grand narratives lay the legitimate foundation of the CPC, the CPC is driven to prioritize this “mission” variable over the material and conceptual variables in China’s grand strategy making. This “mission” variable can also be regarded as a crucial part of China’s strategic culture.

¹¹⁰ Xinhua Net, Xi Jinping: Keep marching courageously towards the objectives of the great rejuvenation of the Chinese nation, http://news.xinhuanet.com/politics/2012-11/29/c_113852724.htm; Xinhua Net, Xi’s discourse at the 19th National Congress of the Communist Party of China,

http://www.xinhuanet.com/english/download/Xi_Jinping's_report_at_19th_CPC_National_Congress.pdf

¹¹¹ China News, 19th national congress of the CPC embodies its historical missions, Zheng Yongnian discusses two significant breakthroughs, <http://www.chinanews.com/gn/2017/10-22/8358038.shtml>.

¹¹² “Study, Disseminate and Implement the Guiding Principles of the 18th CPC National Congress” in Xi Jinping, *The governance of China*, Foreign Languages Press, 2014.

¹¹³ The State Council of the PRC, Xi urges breaking new ground in major country diplomacy with Chinese characteristics, http://english.scio.gov.cn/topnews/2018-06/25/content_53360648.htm.

Although repeatedly referred to in top-level documents, “the great rejuvenation of the Chinese nation” has never been rigorously defined by Chinese academia. In fact, the CPC has roughly expounded the incarnation of this vision as building up a prosperous, strong, democratic, culturally advanced and harmonious modern socialist country during the primary stage of socialism. More specifically, that is “Two Centenary Goals”(两个一百年), i.e., to finish building a moderately prosperous society in all respects by the time the CPC celebrates its centenary in 2021; and to turn China into a modern socialist country that is prosperous, strong, democratic, culturally advanced, and harmonious by the time the PRC celebrates its centenary in 2049. Such statements roughly delineate the CPC’s conception of “the great rejuvenation of the Chinese nation” in the foreseeable future. However, this conception circumvents a critical question, i.e., the extent of rejuvenation satisfactory for the CPC and Chinese people. In other words, China will designate the benchmarks by which a rejuvenated China will define itself in Chinese history. Given the fact that the Han dynasty and Tang dynasty are widely accepted as the acme of China’s ancient glory, their achievements in material strength, ideological influence and international status are naturally entitled the benchmarks of defining greatness by Chinese people, and the reminiscence of these “good old days” motivates China to adopt “rejuvenation” (复兴) rather than “rise” (崛起) to delineate the magnitude of its aspirations. In other words, stated or implied, China seeks to return to the center of the global arena and rise to the ever-attainable heights, namely, resuming the prominence commensurate with its identity based on its great historical memory. This is the assertive and somewhat imperialistic part of this slogan. Nevertheless, due to the humiliating modern history and being unequally treated in some aspects, this saying also contains defensive and nationalist connotations, i.e., pursuing a political position proportionate to its economic strength. In conclusion, given the significance of “the great rejuvenation of the Chinese nation” in China’s grand strategy making, it is clear that this slogan is the unyielding strategic pursuit of China. In this regard, the specific strategic objectives of China turn out to be the itemized conceptualization of this slogan.

In addition to a definite grand strategic pursuit, China also boasts the well-structured institutions to organize and coordinate resources. As a country that developed from a Soviet-type planned economy, China has a full set of institutions to allocate resources to attain the national objectives. Given the fact that the Chinese government enacts explicit “Five-Year Plans” (五年计划/规划) periodically (the latest is 13th, 2016-2020), China has shaped a tradition of keeping the strategic goals in mind and mobilizing all the relevant departments to coordinate and organize the resources to realize the plans. When China plays an increasingly significant role on the global stage, the scope of “grand strategic goals” is surely broadened. In this process, the foreign-related departments and the central decision-making system of China are required to broaden their mind and go through a transformation, in order to coordinate the expanding resources to match the enlarging objectives. In addition, a new supreme coordinating institution or mechanism should be set up, under which the domestic and diplomatic objectives can be integrated and achieved by the jointly mobilized external and internal resources.

Specifically speaking, China is redesigning its administrative structure to meet the new grand strategic requirements. The CNSC, the supreme coordinating institution, has been built up in November 2013 after the 3rd Plenary Session of the 18th Central Committee, and was required by Xi Jinping to “stick to the comprehensive security concept and take an approach with Chinese characteristics to national security.”¹¹⁴ According to the observers at home and abroad, the CNSC was established to respond to the changing international surroundings, accommodate China’s overall growth and serve Xi’s “Big Power Diplomacy” ambition, by organizing fragmented bureaucracies and overcoming the current dilemmas, including insufficient coordination and information sharing.¹¹⁵ In addition, the new nominations of Yang Jiechi and Wang

¹¹⁴ BBC, Xi Jinping calls for a national security approach with Chinese characteristics, http://www.bbc.com/zhongwen/simp/china/2014/04/140415_xijiping_nationalsecurity.shtml

¹¹⁵ Hu, W., 2016. “Xi Jinping’s ‘Big Power Diplomacy’ and China’s Central National Security Commission (CNSC)”, *Journal of Contemporary China*, 25(98), pp.163-177; Lampton, D.M., 2015. “Xi Jinping and the National Security Commission: policy coordination and political power”, *Journal of Contemporary China*, 24(95), pp.759-777; Ji, Y., 2016. “China’s National Security Commission: theory, evolution and operations”, *Journal of Contemporary China*, 25(98), pp.178-196; People.cn, Unveiling CNSC: Aiming at terminating “fight separately”

Huning in the 19th Politburo of the CPC deserve more attention.¹¹⁶ Yang was a former Foreign Minister from 2007 to 2013, the State Councilor and Director of the Foreign Affairs Leading Group after 2013, he was the second Foreign Minister to be elected a politburo member since Qian Qichen, who was in office from 1988 to 1998. The more notable figure was Wang Huning, who is famous for his talent in ideology, education and career background as an IR professor at Fudan University in Shanghai. He was the second scholar who reached such a high rank from the identity of “Biganzi” (笔杆子 theorist in the CPC) after Chen Boda, who was a standing member of Politburo during the early years of the Great Cultural Revolution, from 1966 to 1970. Considering the relatively weaker influence of the Ministry of Foreign Affairs among the departments of the central government, the setup of the CNSC and the promotions of Yang and Wang help China's foreign-related departments gain more resources and play a bigger role in China's strategy making. Accordingly, thanks to a better-structured diplomatic regime, China seeks to streamline the process of making and implementing grand strategy.

Adopting a “mozhe shitou guohe” (摸着石头过河 crossing the river by feeling the way over stones) approach, China consciously matches its power with ambitions and adjusts its strategic objectives and foreign policies over time. The BRI is China's latest attempt to match the “means” with the “ends”. Although China has initiated the “Reform and Opening-up” in 1979, the key milestone of its overall internationalization was the admission to the World Trade Organization (WTO) in December 2001.¹¹⁷ Regarding politics, the SCO was established in June 2001 as China's first step in constructing regional leadership. The 2008 financial crisis fueled China's ambitions to play a more significant role in the global arena. Thanks to its rapidly growing economy, China has made a more active presence in a series of international summits, notably the G20 and the BRICS. In this regard, China was adjusting its engagement with

scenario in the past, enacting national security strategy is its main responsibility,

<http://theory.people.com.cn/n/2013/1114/c49150-23535875.html>

¹¹⁶ Xinhua Net, The communique of the 1st Plenary Session of the 19th Central Committee of CPC,

http://news.xinhuanet.com/politics/19cpcnc/2017-10/25/c_1121853954.htm

¹¹⁷ WTO, China in the WTO: Past, Present and Future, https://www.wto.org/english/thewto_e/acc_e/s7lu_e.pdf; Chow, G.C., 2003. “Impact of joining the WTO on China's economic, legal and political institutions”, *Pacific Economic Review*, 8(2), pp.105-115.

international affairs based on its available resources, assigning its diplomacy a topic or a principal task for each period of time. In addition, China was mainly a norm and concept-taker which acted in the international surroundings and agendas set up by other great powers. The proposition and maturation of the BRI is the up-to-date incarnation of the “mozhe shitou guohe” approach, which is the latest topic of China’s diplomacy and reflects China’s ambition to shape the international surroundings. After initially proposing the SREB and the MSR, Xi Jinping delivered a significant statement in the “high end standard peripheral diplomacy forum” in late October 2013, emphasizing the importance of peripheral diplomacy, implicating the underlying connections between peripheral diplomacy and the BRI.¹¹⁸ Since then, the scope of BRI kept expanding and finally became a globally-recognized initiative characterized by multilateralism and openness nowadays.¹¹⁹ The discussions about how to translate this initiative into foreign language echoes this trend. The official translation from the “One Belt, One Road” to “the Belt and Road Initiative” indicates the ever-growing inclusiveness of this initiative as it blurs the geographical scope so as to embrace a greater number of countries.¹²⁰ Consequently, as an inclusive and expandable framework, the BRI is designed to mobilize China’s growing resources to fulfill its increasing strategic objectives. Thanks to these characteristics, the BRI has gained more attention and resources, being recognized as the principal tool of China’s grand strategy implementation. In a broader sense, the BRI could be regarded as a framework for China to deal with its relations with the world.

In conclusion, this thesis asserts that China has a well-structured grand strategy. China has kept in mind a clear overall strategic pursuit, i.e., “the great rejuvenation of the

¹¹⁸ Xinhua Net, Xi Jinping: Rooting the sense of Community of Shared Fortune among peripheral countries, http://news.xinhuanet.com/politics/2013-10/25/c_117878944.htm

¹¹⁹ The State Council of the PRC, Vision and proposed actions outlined on jointly building Silk Road Economic Belt and 21st-Century Maritime Silk Road, http://www.gov.cn/xinwen/2015-03/28/content_2839723.htm

¹²⁰ National Development and Reform Commission of the PRC, National Development and Reform Commission and other departments’ specification on English translation of BRI, http://www.ndrc.gov.cn/gzdt/201509/t20150921_751695.html; Xinhua Net, Will poor translation mislead China’s Silk Road initiative? http://news.xinhuanet.com/english/2015-06/30/c_134369189.htm; The Central Compilation and Translation Bureau, Primary discussions on the translation of BRI, http://www.cctb.net/bygz/zzby/byyj/201511/t20151124_331667.htm.

Chinese nation”, relying on a stable and potent “leadership core” to make its grand strategy. The specific strategic objectives of China can be understood as the itemized interpretation of “the great rejuvenation of the Chinese nation”. In terms of grand strategy implementation, China boasts a complete set of institutions to mobilize and coordinate the domestic resources. With the deepening engagement with international affairs, the foreign-related issues play more significant roles in China’s grand strategy. So, China sets up a new coordinating mechanism to integrate the resources in different departments and elevates the status of its foreign-related departments, making their voices louder in China’s grand strategy making and implementation. The BRI is the most recent topic of China’s diplomacy, which is designed to better match its increasing resources with growing ambitions. In this sense, the BRI is recognized as an instrument to achieve China’s grand strategic objectives.

2.2 The Center of Production

Developing productive forces is inscribed in the CPC’s gene.¹²¹ Since the foundation of the PRC in 1949, developing industry was the priority among priorities for the top leaders and it became more conspicuous in the “Socialism with Chinese characteristics” (中国特色社会主义) construction since the “Reform and Opening-up” in 1978. The history of the PRC is a textbook of developing industry. Ranging from learning from the Soviet Union to cooperating with the US, from adopting Stalinism to integrating the advantages of “free market” and “developmental state”, China has never compromised its ambition of realizing complete industrialization. Despite the substitution of models and thoughts of development over different historical contexts, China adheres to its determination, i.e., to serve better industrialization.

In theory, unleashing and developing productive forces is the basic requirement of

¹²¹ “Productive forces” is a central idea in Marxism and historical materialism, it refers to the combination of the means of labor with human labor power, including management and knowledge. Productive force determinism views technical advances as the basis for advances and changes in the social structure and culture of a given civilization, similar to technological determinism.

Marxism. From the historical perspective, due to the absence of industry, especially heavy industry, in the face of the unremitting invasions in the “Century of Humiliation”, Chinese people, as the PRC national anthem goes, had to “use their blood and flesh to build a new Great Wall”. Therefore, in pursuit of rapid industrialization, Mao Zedong adopted Stalinism as a fast track to development and the economic campaigns such as the “Great Leap Forward” (大跃进) were carried out frequently in his reign. As Mao’s successor, Deng Xiaoping continued his industrialization thoughts in the “Reform and Opening-up” context. He routinely emphasized the importance of promoting productive forces: “the primary purpose of socialism is promoting productive forces”, “the essence of socialism is emancipating and advancing productive forces” and “the correctness criteria of economic policies of socialism is fundamentally contingent on the development of productive forces”.¹²² In Deng’s succession, Jiang Zemin further accentuated the significance of productive forces in his brainchild “Three Represents” (三个代表), namely, “represent the requirements for the development of advanced productive forces of society”, followed by Hu Jintao’s “Scientific Outlook on Development” (科学发展观), in which development (primarily refers to the development of productive forces in Chinese political terminology) was dubbed as the prerequisite. Xi Jinping adhered to this statement and highlighted it in his speech in the 19th National Congress of the CPC as “continue to pursue development as the Party’s top priority in governance... we must unleash and develop productive forces...”.

Through the entire project of developing productive forces, after Xi Jinping took power, the “real economy” (实体经济) was regarded as the backbone and “manufacturing” (制造业) played a dominant role. Partly due to the lopsided prosperity of the financial sector in China in the last few years and the lesson drawn from the 2008 financial crisis, China customarily reiterated the real economy as the focus of a modernized economy and the foundation of economic development.¹²³ Against the “New Normal” (新常态)

¹²² For further reading, please read People.cn, <http://cpc.people.com.cn/GB/69112/69113/69684/69695/4949707.html>; People.cn, <http://cpc.people.com.cn/GB/69112/69113/69710/4725609.html>; People.cn, <http://cpc.people.com.cn/n1/2017/0627/c69113-29365507.html>.

¹²³ The Beijing News, Xi Jinping: the real economy is the foundation of our country’s economy,

background, the concept “supply-side reform” (供给侧改革) was introduced bearing the implications of upgrading its economic structure to match supply with demand, and better serve the purpose of transforming China into “the center of production”.¹²⁴ These judgments were further reinforced and put into practice by Xi Jinping’s principal economic advisor, Liu He, a member of Politburo and the Vice Premier who took charge of the financial and economic system. Following his thirty-year-long academic and working trajectory, in his exposition to the basic logic of the 12th “Five Year Plan”, he accentuated that China should play the role of the global manufacturing center and keep raising the quality and level of China’s manufacturing.¹²⁵

Adhering to developing manufacturing is also the demand of solving “the principal contradiction” (主要矛盾) in Marxist theory. As stated in the 19th National Congress of the CPC, “the principal contradiction” has been changed to “the contradiction between unbalanced and inadequate development and the people’s ever-growing needs for a better life”. From the economic perspective, fuller employment, higher income and “common prosperity” (共同富裕) all hinge on more advanced manufacturing. “Industrial hollowing-out” (产业空心化) is the primary culprit of the present dilemmas in some Western countries while concentrating on manufacturing is the way by which the economies like South Korea leap from backward to developed status. In this regard, the 2018 Central Economic Work Conference, the annual summit setting the agenda of China’s economy, put “promote the development of manufacturing in a high-quality way” in the foremost position to further illustrate its significance.¹²⁶

In economic theory, the average living standard of a country is primarily determined by

http://epaper.bjnews.com.cn/html/2017-03/08/content_673662.htm?div=0; The State Council of the PRC, Firmly developing the real economy, http://www.gov.cn/xinwen/2017-06/22/content_5204459.htm.

¹²⁴ People.cn, Xi Jinping: Pushing forward supply-side reform is a tough battle, <http://cpc.people.com.cn/xuexi/n1/2017/0621/c385476-29352816.html>; Xinhua Net, Xi Jinping chose “supply-side structural reform” as the pivot, http://news.xinhuanet.com/politics/2017-09/13/c_1121653141.htm.

¹²⁵ Liu He, Elevating the ratio of middle-income group and enlarging domestic market—the basic logic of 12th Five Year Plan, <http://www.cdrf.org.cn/jjh/pdf/j101.pdf>; Wallstreet.cn, The summary and deliberation upon the thirty years economic thoughts of Liu He, <https://wallstreetcn.com/articles/3234517>.

¹²⁶ Xinhua Net, The 2018 Central Economic Work Conference was Held in Beijing, http://www.xinhuanet.com/politics/2018-12/21/c_1123887379.htm.

the manufacturing and agricultural resources per capita calculated by purchasing power parity (PPP). Although China's manufacturing value-added has reached \$3.25 trillion, surpassing the US \$2.142 trillion, Japan's \$892.4 billion and Germany's \$700.8 billion, the amount per capita of China is only 34% of that of these developed countries, which is explicitly reflected in the wide gap between their national living standards.¹²⁷ Due to the sharp contrast between the massive population and the limited resources, China is driven to export a growing number of higher value-added products in exchange for more resources, goods and services to meet the ever-growing domestic demands for better lives. In this regard, it is essential for China to adhere to manufacturing and push forward industrial upgrade, through which to elevate its productive forces and export more higher-valued goods and services. Taking into account the tremendous size of the economy, industrial system, population and science, technology, engineering, and mathematics (STEM) graduates of China, China will persevere in industrial upgrade until it becomes the center of manufacturing of the world, which is also reinforced by its strategic culture of pursuing the first or the largest title.¹²⁸ Considering China's STEM graduates are eight times those of the US, China aspires to be "the center of manufacturing" in order to create enough working positions for these talents. In a broader sense, since China's labor force scale is even larger than that of the entire West (786.7 million versus 636 million),¹²⁹ only a comprehensive industrial upgrade that transforms "the center of manufacturing" to "the center of production" can generate adequate fortune to endorse the living standard of Chinese as high as that of developed countries. So, China is disposed to engage in the industrial sectors from low to high end in the GVC and uphold a comprehensive industrial system with higher value-added. Therefore, China has enshrined "the center of production" as the principal strategic objective. In accordance with the logic of "economic base determines superstructure", this objective lays the foundation for all the other strategic objectives and becomes the

¹²⁷ The World Bank, Manufacturing, value added (current US\$), <https://data.worldbank.org/indicator/NV.IND.MANF.CD>

¹²⁸ World Economic Forum, The Human Capital Report 2016, http://www3.weforum.org/docs/HCR2016_Main_Report.pdf, pp.21.

¹²⁹ The World Bank, Labor Force, Total, <https://data.worldbank.org/indicator/SL.TLF.TOTL.IN>. The figure of the Western World is OECD members.

cornerstone of China's grand strategy.

Presently speaking, China's industrial system is mainly plagued by "big but not strong" (大而不强). In fact, even the capacity of China's own manufacturing is not "big" enough. Take the export sector, the most competitive part of China's manufacturing for instance. China is widely deemed as the largest exporter in the world, whose exports accounted for 13.8% of the total global exports in 2015, the highest-ever ratio in world history. However, given the fact that "processing trade" takes roughly 50% of the total exports of China and has remained 46% in 2017, the exports produced by Chinese capital, brands and technology only accounted for 6.9%, less than 8.7% of the US and 8.2% of Germany. In addition, according to the Organization for Economic Cooperation and Development (OECD), the value-added part of China's exports is only 68%, while this ratio in China's knock-out exports, computer and electronics, is as low as 45%.¹³⁰ In consequence, the "huge" scale of China's manufacturing merely proves China to be "the workshop of the world", rather than "the center of production".

The itemized import statistics of manufacturing is another parameter to calibrate the development level of China's manufacturing. According to the statistics from the General Administration of Customs of the PRC (GACC), the total import amount in 2017 was \$1841 billion, and the imports of main manufacturing goods were integrated circuits (\$260.1 billion), automobiles (\$82.5 billion), display panels (\$30.1 billion), automatic data processing equipment (\$27.5 billion), pharmaceuticals (\$26.7 billion), aircraft (\$22.7 billion), electronic components (\$20.6 billion), steel (\$15.2 billion) and machine tools (\$8.7 billion). Concerning the import volume of raw materials, crude oil (\$162.3 billion), iron ore (\$76.3 billion), primary shape plastics (\$48.5 billion), soybeans (\$39.6 billion), copper ore (\$26.3 billion) and natural gas (\$23.2 billion) were among the top. It is noteworthy that the import volume of integrated circuit was almost amounted to the total of imported energy and natural resources, and was higher than

¹³⁰ Wallstreet.cn, How much China earns from its huge export- exploring from iWatch value chain, <https://wallstreetcn.com/articles/3019453>.

the aggregate of the following manufacturing items.¹³¹

Viewed from the perspective of industrial structure, the electronics and automobile industries are the two pillars propping up the advanced manufacturing of developed economies. China's backwardness in these two industries partly results in its being "big but not strong" in manufacturing. Furthermore, even in traditional manufacturing, in which Chinese enterprises yield large revenue, the fact that their profits pale in comparison with their foreign counterparts indicates their weakness in skill and bargaining power. According to the Fortune 500 rank in 2018, regarding manufacturing profit, Apple was the highest corporation all around the world (\$48.3 billion), followed by Samsung Electronics (\$36.5 billion) and Toyota Motor (\$22.5 billion). With regards to revenue, Toyota Motor (\$265.1 billion), Volkswagen (\$260 billion), Apple (\$229.2 billion), Samsung Electronics (\$211.9 billion), Daimler (\$185.2 billion), EXOR Group (\$161.6 billion) were ranked among the top 20 and General Motors (\$157.3 billion) and Ford Motor (\$156.7 billion) were 21st and 22nd. However, with respect to Chinese enterprises, Industrial & Commercial Bank of China (\$42.3 billion), China Construction Bank (\$35.8 billion), Agricultural Bank of China (\$28.5 billion) and Bank of China (\$25.5 billion), the "Big Four" state-owned banks reaped the richest profits from China's economic growth by virtually levying a "financial tax" on Chinese manufacturing. In traditional manufacturing, take the iron and steel industry for instance, although the revenues of the largest enterprises of China, Korea and Japan were at the same level, e.g. China's Baowu Steel Group (162nd, \$59.2 billion), Japan's Nippon Steel & Sumitomo Metal (198th, \$28.5 billion) and South Korea's POSCO (184th \$53.2 billion), Baowu lagged far behind its Japanese and Korean counterparts in terms of profit, \$21.9 million versus \$1.76 billion and \$2.43 billion, i.e. as little as 1%.¹³²

¹³¹ For further reading, please see The General Administration of Customs of the PRC, <http://www.customs.gov.cn/customs/302249/302274/302275/1416420/index.html>.

¹³² For further reading, please see Fortune, Fortune 500, http://www.fortunechina.com/fortune500/c/2018-07/19/content_311046.htm.

In response to this predicament, eyeing the target of transferring from “the workshop of the world” to “the center of production”, China proposes the ambitious “Made in China 2025” strategic plan. Miao Wei, the Minister of Industry and Information Technology, publicly stated that the principle of China’s industrial policy is “from big to strong” (由大变强).¹³³ As an integral part of “the great rejuvenation of the Chinese nation”, China unveiled the “Made in China 2025” plan as the first step of a three-step strategy, “manufacturing giant on quality” (制造强国), in concert with the comprehensive and fundamental “Two Centenary Goals”. To be specific, China explicitly earmarked ten key sectors as priorities, i.e., new information technology, numerical control tools and robotics, aerospace and aeronautical equipment, ocean engineering equipment and high-tech ships, modern railway equipment, energy saving and new energy vehicles, power equipment, agricultural machinery, new material, biological medicine and medical devices.¹³⁴ Concerning all these key sectors are among the crucial imported items presently, China is obliged to push forward an “import substitution strategy”, which is regarded as the “further industrialization and modernization progress” in its strategy. For instance, in terms of industrial policy, given the significance of integrated circuits, China has established the “National Integrated Circuit Industry Investment Fund” within the framework of the “Outline of Propelling the Development of Integrated Circuit industry”, in cooperation with a wide range of administrative, financial, tax and talents supports, in order to sharpen the competitive edge of Chinese integrated circuit enterprises.¹³⁵ For the purpose of stimulating market competition, China has virtually lifted all the restrictions in manufacturing, especially in the automobile industry, in the “Special Management Measures (Negative List) for the Access of Foreign Investment (2018)”.¹³⁶ Even in the course of the Sino-US trade

¹³³ The State Council of the PRC, Propelling Made in China from big to strong- exclusive interview with the Minister of Industry and Information Technology Miao Wei, http://www.gov.cn/zhengce/2015-05/23/content_2867501.htm.

¹³⁴ The State Council of the PRC, Notice of the State Council on Issuing the “Made in China (2025)”, http://www.gov.cn/zhengce/content/2015-05/19/content_9784.htm.

¹³⁵ The Ministry of Industry and Information Technology of the PRC, The publication of the “outline of propelling the development of integrated circuit industry”, <http://www.miit.gov.cn/n1146295/n1652858/n1652930/n3757021/c3758335/content.html>.

¹³⁶ National Development and Reform Commission of the PRC, Revision of Special Management Measures (Negative List) for the Access of Foreign Investment (2018), http://www.ndrc.gov.cn/xwzx/xwfb/201806/t20180628_890757.html.

war, China still lowered the tariff on imported automobiles considerably from 25% to 15%, and Tesla also pledged to build a “giga-factory” with 500,000 capacity in Shanghai.¹³⁷ The entry of Tesla not only intensifies the market competition of China’s electric car industry but also manifestly expresses China’s persistence in playing the role of “the center of production” regardless of political turbulence.

The US, China’s top rival, has been fully aware of China’s capability and determination for industrial upgrade, hence resolutely tries to sabotage such struggles by China. According to the US National Science Board, China has made a great leap forward in upgrading its industrial structure. Regarding medium-high technology manufacturing, China has taken one-third of the global value-added, far overtaking the US 18% and the EU’s 20%. Concerning high technology manufacturing, the US advantage is being eroded as well. Despite the fact that US still takes the lead over China with a 30% versus 24% edge, this gap has been substantially narrowed down from 4.5 times in 2003 and 2.2 times in 2010.¹³⁸ Partly due to these “crises”, the US has openly denounced China’s attempt as “a direct threat” and “frightening”.¹³⁹ In terms of specific actions, the US has imposed heavier pressure upon China on the issues such as industrial policy, intellectual property and “forced” technology transfer. At the same time, the US has adopted a more conservative attitude towards foreign investment, especially taking a tougher stance on the mergers and acquisitions (M&A) from China, through widening the authority of the Committee on Foreign Investment in the United States (CFIUS).¹⁴⁰

¹³⁷ Ministry of Finance of the PRC, Tariff Commission’s notice on reducing automobile and parts import tariffs, http://gss.mof.gov.cn/zhengwuxinxi/zhengcefabu/201805/t20180522_2903728.html; Teslarati, Elon Musk signs agreement for Tesla factory in China with 500k vehicle capacity, <https://www.teslarati.com/elon-musk-shanghai-tesla-gigafactory-china-500k-production/>.

¹³⁸ National Science Board, Science and Engineering Indicators 2018, Figure 6-11, 6-16, <https://www.nsf.gov/statistics/2018/nsb20181/report/sections/industry-technology-and-the-global-marketplace/patterns-and-trends-of-knowledge--and-technology-intensive-industries>.

¹³⁹ Reuters, US not starting trade war, but sees China tech threat: Ross, <https://www.reuters.com/article/us-davos-meeting-trade-ip/u-s-not-starting-trade-war-but-sees-china-tech-threat-ross-idUSKBN1FD2DA>; The Japan Times, US commerce secretary: China 2025 plan to be tech nexus ‘frightening’, <https://www.japantimes.co.jp/news/2018/04/25/business/tech/u-s-commerce-secretary-china-2025-plan-tech-nexus-frightening/#.W050hdhKgWo>.

¹⁴⁰ The New York Times, The Trade Issue That Most Divides US and China Isn’t Tariffs, <https://www.nytimes.com/2018/03/26/business/china-us-trade.html>; The New York Times, China’s Plan to Build Its Own High-Tech Industries Worries Western Businesses, <https://www.nytimes.com/2017/03/07/business/china-trade-manufacturing-europe.html>; The New York Times, Targeting China’s Purchases, Congress Proposes Tougher Reviews of Foreign Investments, <https://www.nytimes.com/2017/11/08/us/politics/china-foreign-investments.html>.

The enhancement of productive forces boils down to the advancement in science and technology, which primarily relies on the increase of research and development (R&D). The higher-end in the GVC a country wants to reach, the more it needs to invest in R&D. In this way, as “the center of production” is China’s primary strategic objective, China is also required to become a major center of science and technology in the world. In other words, “the center of science and technology” is the prerequisite and major buttress of “the center of production”. As Xi Jinping suggested in his speech to the academicians from “Two Academies” (the Chinese Academy of Sciences and the Chinese Academy of Engineering, the highest honorific title of Chinese researchers), “China strives to become the major science center of the world and reach the height of innovation”.¹⁴¹

In some sense, China is forced to struggle for “the center of science and technology”, owing to its aging population and the relatively hostile international environment. In the first place, due to the dilemma over the fact that the number of China’s labor force is declining while the retired population is climbing, China is compelled to improve its productive forces by technology, through which to generate more income to cope with the mounting fiscal and social burden. China’s labor force (16-59) reached the highest point to 925 million in 2011 but then decreased at an accelerated speed, from 3.45 million in 2012 to 5.48 million in 2017, and fell to 902 million in 2017.¹⁴² According to China’s retirement regulation, the retiring age of women is 55 and men is 60. The largest “baby boom” of China was from 1963 to 1973, with an average 25.5 million births number annually.¹⁴³ That is to say, from 2018 on, this retirement flood will not ebb until 2033 at the earliest, which will impose considerable and persistent pressure on the precarious pension system. The “one-child policy” further exacerbates the status

¹⁴¹ Xinhua Net, Xi Jinping’s speech to the convention of the CAS and the CAE, http://www.xinhuanet.com/politics/2018-05/28/c_1122901308.htm.

¹⁴² Sina, China’s labor force decreases in an accelerated speed, <http://cj.sina.com.cn/articles/view/1245286342/4a398fc6001008p85>.

¹⁴³ National Bureau of Statistics of the PRC, The 6th national population census of China in 2010, <http://www.stats.gov.cn/tjsj/pcsj/rkpc/6rp/indexch.htm>.

quo. Furthermore, although China's annual labor productivity has increased fourfold since 2000 and reached \$13,000 in 2017, this figure was still less than the 12% of the US (\$110,000), and paled in comparison with Japan's \$94,000, South Korea's \$51,000, the UK's \$86,000, Germany's \$93,000 and France's \$105,000.¹⁴⁴ In this way, elevating labor productivity through developing science and technology is the best or the only way for China to survive the imminent fiscal and social crisis.

In addition, given the entrenched distrust of the West in China's strategic culture, China is prone to pursue "techno-nationalism" in order to achieve "self-reliance" in science and technology.¹⁴⁵ IR scholars have suggested that technological dominance is the base of global leadership in terms of military, financial, trade and soft power.¹⁴⁶ As a result, the US keeps a wary eye on China's technological progress and singling it out as the most urgent issue to solve.¹⁴⁷ Peter Navarro, the White House Trade Advisor, even labels China's endeavors as "trying to steal our future".¹⁴⁸ In a broader sense, in addition to the ZTE shock, China's emphases on industrial upgrades, such as 5G telecom, integrated circuit and nuclear power, are sniped at by the US through embargo one by one.¹⁴⁹ Unlike the lose-lose trade war with China, the US is supposed to prevail in the technological war with its overall advantages. Therefore, the breakdown of the global division of technology led by the US inevitably fuels the techno-nationalism of

¹⁴⁴ International Labor Organization, Labor productivity, Annual, https://www.ilo.org/shinyapps/bulkexplorer46/?lang=en&segment=modelled_estimates&id=TEM_PRODY_country.

¹⁴⁵ The Washington Post, China and the US: A clash of techno-nationalists, https://www.washingtonpost.com/news/theworldpost/wp/2018/05/14/china-technology/?noredirect=on&utm_term=.35e8d79ea345.

¹⁴⁶ Please see Gilpin, R. and Gilpin, W., 1975. *US Power Multinational Corp (Vol. 2)*. Basic Books; Modelski, G. and Thompson, W.R., 1996. *Leading sectors and world powers: the coevolution of global politics and economics*. Univ of South Carolina Press; Heath, T.R. and Thompson, W.R., 2018. "Avoiding US-China Competition Is Futile: Why the Best Option Is to Manage Strategic Rivalry", *Asia policy*, 25(2), pp.91-119.

¹⁴⁷ Office of the United States Trade Representative, 2017 Report to Congress on China's WTO Compliance, <https://ustr.gov/sites/default/files/files/Press/Reports/China%202017%20WTO%20Report.pdf>, pp.9-24; Brown, M. and Singh, P., 2018. *China's Technology Transfer Strategy: How Chinese Investments in Emerging Technology Enable a Strategic Competitor to Access the Crown Jewels of US Innovation*, Defense Innovation Unit Experimental.

¹⁴⁸ CNBC, White House advisor Peter Navarro says 'China is trying to steal our future'— Comments knock stocks, <https://www.cnbc.com/2018/12/21/trade-hawk-navarro-says-china-is-trying-to-steal-our-future-.html>.

¹⁴⁹ Reuters, Top Huawei executive arrested on US request, clouding China trade truce, <https://www.reuters.com/article/us-usa-china-huawei/top-huawei-executive-arrested-on-us-request-clouding-china-trade-truce-idUSKBN1O42S1>; Reuters, US tightens controls on China imports of nuclear components, <https://www.reuters.com/article/us-china-usa-nuclear/u-s-tightens-controls-on-china-imports-of-nuclear-components-idUSKCN1ML2V9>; The Economist, An American ban defangs a nascent Chinese chip champion, <https://www.economist.com/business/2018/11/03/an-american-ban-defangs-a-nascent-chinese-chip-champion>.

China, trying to be free from being “seized in the neck” (卡脖子 similar to blackmail) by the US. In this sense, the Chinese authority repeatedly accentuates the importance of “core technology” (核心技术 implying “self-reliance” and “cutting-edge” in the official context), and entitles it as a “national pillar” (国之重器) and stresses that “core technology cannot be taken, bought or begged”.¹⁵⁰

Besides the political reasons, in the economy, building up a “self-reliant” economy and mastering “core technology” are expected to not only considerably reduce the cost of China’s economy but also help China earn a broader market overseas. In case Chinese enterprises are unable to produce some specific components and must rely on imports largely, they will easily fall prey to their monopolizing foreign counterparts who tend to charge an abnormally high price as “monopoly profit” or “super-normal profit” like extortion, regardless of political factors. In contrast, in the sectors that China has mastered “core technology” and fulfilled import substitution, the intense competition in the domestic market will surely reduce the cost to the lowest level and cultivate true giants, such as in the electronics and home appliances industries. After the cut-throat contest in the largest single market with 1.4 billion consumers, the winners can virtually “dump” their products on to the divided overseas markets with decent benefit. In this way, the past monopolists in this industry are likely to lose not only the vast Chinese market but also the markets outside China.

Although being labeled as “evil practice”,¹⁵¹ China’s massive trade surplus does not mean the encroachment on the interests of the West. Given the inferior position of China in the GVC, the core of trade, namely, profit or “super-normal profit”, is still grabbed by the West. In other words, what China earns from the “division of profit” is much smaller than the trade surplus suggests from the “division of labor”. However, Chinese

¹⁵⁰ China Daily, Xi Jinping: Crucial core technology is the national pillar, http://china.chinadaily.com.cn/2018-07/15/content_36578521.htm; Xinhua Net, Xi Jinping’s speech to the convention of the CAS and the CAE, http://www.xinhuanet.com/politics/2018-05/28/c_1122901308.htm.

¹⁵¹ South China Morning Post, US Commerce Secretary Wilbur Ross blames trade deficit with China on ‘evil practices’ as he prepares for talks with Beijing, <https://www.scmp.com/news/china/article/2144237/us-commerce-secretary-wilbur-ross-says-there-some-hope-trade-talks>.

companies are supposed to raise their share of the “division of profit” and retain the “super-normal profit” in their hands with the grasp of more key know-how. In a broader sense, with the advancement of China’s import substitution, the “monopoly rent” of foreign companies is supposed to decrease, thus China’s economy can operate at a lower cost. What’s more, Chinese firms are expected to export a growing number of higher value-added goods to grab “super-normal profit” from overseas, thus taking the initiative in the “division of profit”. Thanks to this process, more high salary working positions are projected to be created by Chinese enterprises. The augmented purchasing power of these households with higher income will create more demands and flow across to other industries to elevate the general income level of the whole society. In this way, these households seem to be the engine to propel the industrial upgrade, ushering in a positive spiral of endogenous economic growth and social development of China. However, China’s increased portion in the “division of profit” is at the expense of the West in some sense. If China grabs the lion’s share in both the “division of profit” and the “division of labor” in the GVC, the existing Sino-Western relations will be fundamentally reshaped. The trade in favor of the West generally, which has been the adhesive and stabilizer of Sino-Western relations before, would turn out to be a toxic asset or even flashpoint, which makes the necessity of gripping “core technology” and “self-reliance” a somewhat self-fulfilling prophecy in a sense.

Driven by the above-mentioned dilemmas, China is determined to develop itself into “the center of science and technology”. The enormous number of STEM graduates and labor force are the foundation and sustainable impetus of such an upgrade. Presently speaking, China has been ranked among the world’s top 20 most-innovative economies and an innovation powerhouse. China is also the only middle-income economy among the top 30, displaying its determination to upgrade its industrial structure to a more innovative, skill and knowledge-intensive level.¹⁵² Concerning R&D investment,

¹⁵² Global Innovation Index, Global Innovation Index 2018 Report, <https://www.globalinnovationindex.org/gii-2018-report>.

China spent \$279 billion in 2017, with a 14% annual increase.¹⁵³ Regarding R&D intensity, China is the only middle-income economy among the top. China's intensity has reached 2.07% of GDP, even higher than that of the EU (2.05%) and the UK (1.7%), but still lower than South Korea (4.23%), Japan (3.28%), Germany (2.88%) and the US (2.79%).¹⁵⁴ R&D intensity explains the reason why the manufacturing of South Korea progresses so fast, thus highlighting the significance of this indicator to China.

In the basic research realm, China's performance is remarkable as well. According to the most authoritative Nature Index, China's figure has reached 9088 in 2017 with a 13.3% increase, the highest growth rate among all the major economies, and attained half of the US (19579), which declined 1.4% in reverse. China has also widened the gap with other major economies, including Germany (4363, -2.1%), the UK (3608, -4.1%) and Japan (3053, -3%). Regarding institutions, the Chinese Academy of Sciences is ranked first with 1510, twice that of Harvard University of the US (889), the Max Planck Society of Germany (734) and the French National Centre for Scientific Research (702).¹⁵⁵ Concerning the granted patent under the IP5 framework (the five largest intellectual property offices worldwide, the US, Europe, China, Japan and South Korea), China got 360,000 in 2015, compared with 298,000 for the US.¹⁵⁶ Under the Patent Cooperation Treaty (PCT) scheme of the World Intellectual Property Organization (WIPO), China's applicants reached 48,882 in 2017, only second to 56,624 of the US and recorded a 13.4% annual growth rate. The top two companies were both Chinese telecom providers, i.e., Huawei and ZTE, with 4024 and 2965 applicants respectively.¹⁵⁷

¹⁵³ Reuters, China spends \$279 billion on R&D in 2017: science minister, <https://www.reuters.com/article/us-china-economy-r-d/china-spends-279-bln-on-rd-in-2017-science-minister-idUSKCN1GB018>.

¹⁵⁴ The World Bank, Research and development expenditure (% of GDP), https://data.worldbank.org/indicator/GB.XPD.RSDV.GD.ZS?year_high_desc=true.

¹⁵⁵ Nature Index, 2018 tables: Countries/territories, <https://www.natureindex.com/annual-tables/2018/country/all>; 2018 tables: Institutions, <https://www.natureindex.com/annual-tables/2018/institution/all/all>.

¹⁵⁶ Five IP Offices, IP5 Statistics Report, 2016 edition, <http://www.fiveipoffices.org/statistics/statisticsreports/2016edition/IP5SR2016full.pdf>.

¹⁵⁷ World Intellectual Property Organization, China Drives International Patent Applications to Record Heights, http://www.wipo.int/pressroom/en/articles/2018/article_0002.html.

Furthermore, China's advantages in pioneering industries are more prominent, which shows its considerable potential to reshape the current global division of labor. There are 252 unicorns (a privately held startup company valued over \$1 billion) in the global unicorn club. Among them, the US (106, 42.1%) and China (98, 38.9%) take the vast majority while other major economies are virtually negligible: 10 in India, 9 in the UK, 5 in Germany, 3 in South Korea, 2 in France and 1 in Japan. Regarding the 16 super-unicorns (valued at over \$10 billion), the figure for the US is 8 and China is 7.¹⁵⁸ According to other sources, China's number of unicorns has beaten the US with 164 versus 132.¹⁵⁹ For the purpose of consolidating the leading position in these industries, China also strives to streamline some relative regulations to help them. For example, the high-technological unicorns can take precedence over more than 600 candidates and enjoy a fast track to Initial Public Offering (IPO).¹⁶⁰ China also woos the unicorns listed abroad to come back via the China Depository Receipt (CDR).¹⁶¹

In conclusion, "the center of production" is the fundamental strategic objective of China and constitutes the backbone of China's grand strategy making. For better meeting the ever-growing demands of people, China is motivated to build a complete industrial system with a higher value added, through which to generate enough income to elevate the living standards of people to the height of developed countries. Thanks to its huge scale of labor force and STEM talents, China is able to uphold such an industrial system and grasp "core technology" to realize "self-reliance". However, China's ambition will inevitably encroach on the vested interests of the West in the economic base and undermine the West's global leadership in the superstructure in the long run. In this way, China's uncompromising ambition of "the center of production" is destined to be the

¹⁵⁸ Deloitte, The research report of unicorns from China and the US, <https://www2.deloitte.com/content/dam/Deloitte/cn/Documents/deloitte-private/deloitte-cn-cvinfo-china-us-vc-pe-companies-report-zh-170906.pdf>.

¹⁵⁹ South China Morning Post, At the heart of China's techno-nationalism is a hit list of 200 unicorns, <https://www.scmp.com/business/companies/article/2139684/heart-chinas-techno-nationalism-hit-list-200-unicorns>.

¹⁶⁰ South China Morning Post, Beijing rolls out the red carpet to woo unicorns to list in Shenzhen or Shanghai, <https://www.scmp.com/business/banking-finance/article/2139683/beijing-rolls-out-red-carpet-woo-unicorns-list-shenzhen-or>.

¹⁶¹ Reuters, China allows domestic fundraising for overseas-listed firms, <https://www.reuters.com/article/us-china-funds-cdr/china-allows-domestic-fundraising-for-overseas-listed-firms-idUSKCN1J2353>.

decisive flashpoint in Sino-Western relations.

2.3 The Center of Trade

Based on “the center of production”, “the center of trade” will naturally be another strategic objective of China. Assuming that “the center of production” will produce more than enough goods for the domestic market, China is obliged to champion and push forward the ongoing free trade regime to cultivate a broader global market, in order to accommodate its enlarging and upgrading productive capacity. China also accelerates its domestic opening-up in exchange for the further opening-up of other economies. Through weaving a broader Free Trade Agreements (FTA) network and widening opening-up for more market-oriented resource allocation, China seeks to engage in the global economy and trade in a deeper manner and becomes “the center of trade”.

As the largest trade partner of over 130 countries, China still takes active steps to embed itself in a more extensive FTA network. At a global level, China has joined the WTO, the Asia-Pacific Economic Cooperation (APEC), the China-ASEAN Free Trade Area (CAFTA) and the Regional Comprehensive Economic Partnership (RCEP). At a national level, China has signed 15 FTAs with 23 sovereign states and dependent territories, including the Association of Southeast Asian Nations (ASEAN), South Korea, Australia and Switzerland; 11 are under negotiation, such as the China-Gulf Cooperation Council and the China–Japan–South Korea; and another 11 are under consideration, including the one for the China-Canada.¹⁶²

Domestically speaking, China is initiating a new round of opening-up higher than the expectation at home and abroad. In terms of tariff, China’s tariff has been cut to 3.83% on average, which is lower than that of emerging economies such as India (5.78%) and

¹⁶² China FTA Network, China FTA Network, <http://fta.mofcom.gov.cn/english/>.

some OECD economies such as South Korea (5.05%), and making headway to the level of advanced economies, such as the US (1.66%), the EU (1.79%) and Japan (2.51%).¹⁶³ Regarding the breadth of the new round of opening-up, in the 2018 Boao Forum, Chairman Xi announced a series of new opening-up policies, including broadening market access in the banking, securities and insurance industries, easing foreign equity restrictions in the automotive industry, shortening the negative list on foreign investment, materializing national treatment, joining the WTO Government Procurement Agreement and expanding imports to balance trade. All these promises are kept and being implemented by the Chinese administrations in succession.¹⁶⁴ To the most sensitive financial and service sectors long castigated for closeness and monopoly, China has promised to fulfill these commitments in 2018.¹⁶⁵ China promises to remove the cap on foreign ownership of automotive ventures by 2022, which will totally open up this largest automobile market in the world.¹⁶⁶ China is also committed to exploring the path to construct high-class free trade ports benchmarked to Hong Kong, Singapore, Dubai and Rotterdam, on the foundation of 11 existing domestic pilot free trade zones.¹⁶⁷ Moreover, China has embarked on turning the entire island of Hainan Province into the highest and largest free trade zone by 2025.¹⁶⁸ In this way, when removing most of the barriers between China and the world, China's economy can be better integrated with the global economy, allocating the resources more effectively. Thanks to the advent of more foreign competitors, Chinese enterprises are supposed to

¹⁶³ The World Bank, "Tariff rate, applied, weighted mean, all products (%)",

<https://data.worldbank.org/indicator/TM.TAX.MRCH.WM.AR.ZS>.

¹⁶⁴ Xinhua Net, Xi Jinping's keynote speech at the opening ceremony of the Boao Forum for Asia Annual Conference 2018, http://www.xinhuanet.com/politics/2018-04/10/c_1122659873.htm; National Development and Reform Commission of the PRC, The Negative List on Foreign Investment (2019), http://www.ndrc.gov.cn/zcfb/zcfbl/201906/t20190628_940274.html; The Foreign Investment Law of the PRC, http://wzs.ndrc.gov.cn/zcfg/201903/t20190329_931972.html; People's Bank of China, The Measures to further Open-up in the Financial Sector, <http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/3863019/index.html>.

¹⁶⁵ World Economic Forum, Three critical battles China is preparing to fight, <https://www.weforum.org/agenda/2018/01/pursue-high-quality-development-work-together-for-global-economic-prosperity-and-stability/>.

¹⁶⁶ Reuters, China to open auto market as trade tensions simmer, <https://www.reuters.com/article/us-china-autos-regulation/china-to-open-auto-market-as-trade-tensions-simmer-idUSKBN1HO0YA>.

¹⁶⁷ People.cn, Promoting the formation of a comprehensive open new pattern, http://paper.people.com.cn/rmrb/html/2017-11/10/nw.D110000renmrb_20171110_1-04.htm; Xinhua Net, The State Council approved the establishment of 7 new pilot free trade zones, http://news.xinhuanet.com/fortune/2017-04/01/c_1120735688.htm.

¹⁶⁸ Reuters, China to set up Hainan free trade zone by 2020, port by 2025, <https://www.reuters.com/article/us-china-economy-hainan/china-to-set-up-hainan-free-trade-zone-by-2020-port-by-2025-xinhua-idUSKBN1HL0RZ>.

meet fiercer competition in all realms, which will sharpen their edges and propel China to be “the center of production”.

China also pledges to import more goods to actively balance the import-export sheet, trying to refute the accusations of “mercantilism”. The increased imports are also supposed to become China’s leverage to gain a better negotiating status with other countries, through which to shape an international environment more favorable to China. Notwithstanding the import substitution strategy, China is driven by its rapidly expanding domestic purchasing power and demands to import an increasing number of goods and services worldwide. Regarding total retail sales of consumer goods, an indicator measuring a country’s domestic purchasing power, the statistics of China has reached \$6 trillion in 2019, which is expected to overtake the US (\$6.2 trillion) in a few years.¹⁶⁹ Meanwhile, China’s import volume reached \$2.1 trillion in 2019, amounting to 70% of that of the US (\$3.1 trillion), which was equivalent to the ratio of their GDP scale.¹⁷⁰ In this sense, the growing purchasing power of China is expected to curtail the trade imbalance in a market-oriented way. Furthermore, China’s determination to solve the unbalanced import-export is reaffirmed by Xi Jinping’s growing commitments to increasing imports, from \$8 trillion in a five-year midterm to \$24 trillion in a 15-year long-term.¹⁷¹ China also held the China International Import Expo in Shanghai and signed \$58 billion agreements in only six days. This Expo is the first in the world and will be held on an annual basis.¹⁷² Concerning the historical significance of the “Canton Fair” (广交会, officially known as the China Export Fair) in exports, this annual import expo signifies that China has started to underline the significance of imports in its toolkit of grand strategy. Besides balancing the import-export sheet,

¹⁶⁹ United States Census Bureau, “Monthly Retail Trade”, <https://www.census.gov/retail/marts/www/adv44x72.txt>.

¹⁷⁰ United States Census Bureau, “Annual 2019 Press Highlights”, <https://www.census.gov/foreign-trade/statistics/highlights/AnnualPressHighlights.pdf>.

¹⁷¹ Ministry of Foreign Affairs of the PRC, Xi’s keynote address at the APEC CEO summit, <http://www.fmprc.gov.cn/web/zyxw/t1509676.shtml?from=timeline&isappinstalled=0>; People.cn, China will import \$8 trillion commodities in the further 5 years, which offers big opportunities for countries around the world, <http://finance.people.com.cn/n1/2017/0725/c1004-29427296.html>.

¹⁷² Xinhua Net, The Review of the First Term of the China International Import EXPO, http://www.xinhuanet.com/world/2018-11/10/c_1123694661.htm.

China's growing demand can partly shape other countries' economic structures, which helps cultivate the interest groups friendly to China, thus reinforcing the bilateral economic and political ties. In addition, China has taken advantage of the growing purchasing power and the opening market to make its "go out policy" (走出去) more compelling, standing China in a better negotiating stead to other countries. More importantly, given the fact that China's unyielding ambition of industrial upgrade is bound to encroach on the vested interests of developed countries, China would make the best use of its growing purchasing power and opening domestic market to create more shared interests with them, in order to lower the risks of being contained and encircled by the West.

In addition to the existing free trade mechanism, China pushes forward a new round of trade facilitation keeping abreast of technological progress. The Electronic World Trade Platform (EWTP) is the best representative of such an effort. Unsatisfied with the status quo where current global trade is dominated by 60,000 large enterprises while the dominant trade method is still the outdated Business-to-Business (B2B), Alibaba, the e-commerce leader of China promotes the EWTP to pave the way for Small and Middle Enterprises (SMEs), which accounts for 80% of the world economy, to further engage in global trade. This proposal, according to Jack Ma, the founder of Alibaba and the initiator of EWTP, is a logical and natural complement to the WTO. Therefore, a more multi-layered and vibrant global trade regime seems to be on the horizon.

Echoing the connectivity proposal of the BRI, the EWTP spearheads a round of spread of Chinese logistics, payment and big data, which seeks to build a rudimentary network for a new version of global trade. As the logistics platform of Alibaba, Cainiao Network (菜鸟网络 officially known as the China Smart Logistic Network) integrates a wide range of logistics enterprises, including the Royal Mail, to provide cross-border logistics and customs services, which substantially lowers the barrier on entry to global trade. Thanks to the lower barriers and more unified standards in customs, logistics, payment and credit, the markets of different economies used to be isolated by customs

and other non-tariff barriers are likely to be merged more deeply into a single global market. In the foreseeable future, compared with the deadlock the WTO is facing, this complementary proposal seems to be another engine of global trade. Collectively speaking, based on the defense of the WTO free trade mechanism, China proposes a new EWTP free trade framework to propel free trade in two complementary tracks. China also opens up its domestic market to a larger and deeper extent in exchange for a broader overseas market. These efforts show China's perseverance to be "the center of trade", through which to accommodate its enlarging productive capacity.

"The center of trade" calls for China to make headway in logistics, which will stimulate trade by reducing the cost and elevating the efficiency of logistics. Presently speaking, although China is the largest exporter in the world, its global logistics are far behind its global trade. According to the Logistics Performance Index of the World Bank, China is only ranked 27th while in the DHL Global Connectedness Index, China is even downgraded to 61st.¹⁷³ As a result, China is obliged to bring its advanced domestic logistics into full play, in order to enhance its global logistical capability.

China's industrial structure largely determines its logistics structure. Presently speaking, China is predominant in maritime transport, 7 of the top 10 world's ports are in China. The throughput of Shanghai in 2016 was 36.5 million twenty-foot equivalent units (TEU), which was the largest port in the world and three times that of Rotterdam (12.2 million TEUs), the largest port in Europe, the 11th largest one in the world.¹⁷⁴ However, China's throughput in airport cargo traffic paled in comparison, with only one in the top 10 and three in the top 20 in 2017, which indicates the fact that the overall level of China's industrial structure still remains at the lower end of the GVC.¹⁷⁵

¹⁷³ The World Bank, Aggregated Logistics Performance Index, <https://lpi.worldbank.org/international/aggregated-ranking>; DHL, DHL Global Connectedness Index 2018, <https://www.dhl.com/content/dam/dhl/global/core/documents/pdf/glo-core-gci-2018-full-study.pdf>, pp.117.

¹⁷⁴ Lloyd's List, One Hundred Container Ports 2016, <https://lloydslist.maritimeintelligence.informa.com/one-hundred-container-ports-2016#row>.

¹⁷⁵ Airports Council International, Total air cargo traffic (2017), <http://www.aci.aero/News/Releases/Most-Recent/2018/04/09/ACI-World-releases-preliminary-2017-world-airport-traffic-rankings--Passenger-traffic-Indian-and-Chinese-airports-major-contributors-to-growth---Air-cargo-Volumes-surge-at-major-hubs-as-trade-wars-threaten->.

In addition to the traditional means of freight, based on the vast and rapidly-growing domestic e-commerce market, China takes the lead in expanding new forms of logistics. The prosperous but competitive domestic market cultivates the unmatched competence of logistics providers both in quantity and quality, and the saturated domestic market also propels them to go abroad for a higher profit. In 2017, the number of delivered parcels of China had reached 40 billion, with a 28% increase and kept the title as the largest market by volume for four years in a row.¹⁷⁶ On China's "Black Friday", "Double Eleven" (双十一) in 2017, over 1.5 billion parcels were delivered within six days (11.11-11.16), and the highest daily figure reached 331 million. As a result of tackling such a high volume of parcels, by 2017, the highest daily processing speed record has hit 340 million and the average daily processing speed has attained 250 million in China.¹⁷⁷

For the purpose of meeting the mounting demands, the innovations and broader applications of new transport means, which have the potential to reshape global trade patterns, are crucial for China. Among them, the utilization of drones is the most notable breakthrough. Given the climbing labor cost, drone plays an indispensable role in solving "the last mile dilemma", i.e., the high cost of connecting individual customer with transportation network by labor. As a matter of fact, the delivery cost of drones has been cut down to \$88 cents per package by Amazon.¹⁷⁸ The further adoption of larger drones is more decisive for global trade. JD has developed heavy drones ranging from one to five tonnage capacity and over 1000 km range. This kind of much cheaper airborne transport has the potential to rewrite the current global logistics. Besides, SF Express, another leader of China's logistics industry, defines its drone transport network

¹⁷⁶ People.cn, China finished 40 billion express parcels in 2017 and become the first in the world for four years in a row, <http://finance.people.com.cn/n1/2018/0109/c1004-29752615.html>; Apex Insight, Global parcel delivery market approaches \$350bn, <https://www.apex-insight.com/global-parcel-delivery-market-2018/>.

¹⁷⁷ Xinhua Net, Express parcels during the "double eleven" will exceed 1.5 billion and the highest daily processing speed reaches 340 million, http://www.xinhuanet.com/info/2017-11/03/c_136724755.htm; Xinhua Net, The express parcel in "double eleven" reached 331 million, with 31.5% increase, http://www.xinhuanet.com/fortune/2017-11/12/c_1121943012.htm.

¹⁷⁸ The Verge, Drones could make Amazon's dream of free delivery profitable, <https://www.theverge.com/2015/6/3/8719659/amazon-prime-air-drone-delivery-profit-free-shipping-small-items>.

plan as “large manned transport aircraft + large regional drone + small terminal drone”, seeking to reach anywhere in the domestic market within 36 hours.¹⁷⁹ China also puts forward the China Railway Express (CR express) as a new method to communicate China with Europe directly on land. Based on the increasingly competitive freight fare and the growing density, the CR express has the potential to be the game-changer for the current Eurasian transport system, which can bring prosperity back to the hinterland of Eurasia.

In conclusion, China seeks to better embed itself into the liberal economic order and enhance “connectivity” around the globe in terms of policy and technology. In the first place, given its identity as “the center of production”, China is driven to defend free trade mechanisms and broaden its FTA network to accommodate its enlarging productive capacity. Secondly, the opening-up is expected to stimulate competition and innovation and attract more foreign investments to China, which helps China become “the center of production”. Thirdly, the growing purchasing power of China and the mounting investment in China from developed countries will enable the two sides to create more shared interests, which seems to be a counterforce to their deteriorating relations. Last but not least, the promotion of the EWTP and the broader application of new means of transport indicate that China attempts to enhance “connectivity” around the globe to facilitate its trade from the technological perspective, which is in line with the pursuits of the BRI. According to Marxism, such attempts signal that China tries to respond to the changes in the “economic base” and match them with the changes in the “superstructure”, which is expected to catapult China to be “the center of trade”.

2.4 A Norm-Maker

China is the natural leader of the ancient East Asian world order not only in economics and politics but also in thoughts, norms and values. As the center of the magnificent

¹⁷⁹ Jiemian, The SF express apply drones to express for real, <https://www.jiemian.com/article/1472931.html>.

Confucianism civilization which regulates the spiritual world of East Asia for over two thousand years, “the great rejuvenation of the Chinese nation” inherently implies that it will become “the center of production” and “the center of power” materially, and more profoundly, “the center of thought” and “a norm-maker” conceptually. As “the center of thought”, China sets norms and values in the Confucian circle and contributes a full set of thoughts to reach good governance. In the contemporary context, Chinese official statements express ambition to “contribute China’s wisdom and plan to solve the common issues of mankind”, culminating in building “a community with a shared future for mankind”, which explicitly remark its goal of regaining the role of “norm-maker”.

Viewed through the lens of Marxism, ideology is a method of persuasion and legitimization to reduce the cost of actions, which is articulated as “Dayi Mingfen” (大义名分 the cardinal principles of righteousness) in traditional Chinese thoughts. Through implanting some kinds of ideas, concepts and opinions unconsciously, the receiver’s mind can be shaped in favor of the transmitter, thus cutting down the operating expense. Marxists firstly adopted this thinking in sociology. According to Antonio Gramsci, the ruling stratum maintains its control more by “low-cost consent” than through costlier coercion. The “cultural hegemony” permeates society through intellectual, moral and cultural persuasion. As a result, people are induced to accept the values, norms, perceptions, beliefs, sentiments and even prejudices of the bourgeoisie as the universal values of society. In this way, the ruling class can blend coercion and consent through the notion of “dual perspective”, to lead the society politically and morally.¹⁸⁰

Robert Cox extends Antonio Gramsci’s theoretical framework to the IR realm and

¹⁸⁰ Forgacs, David, Geoffrey Nowell-Smith, and William Boelhower. *Antonio Gramsci: Selections from cultural writings*. Lawrence & Wishart, 2012; Gramsci, Antonio. *The Gramsci reader: selected writings, 1916-1935*. NYU Press, 2000; Thomas, Peter D. *The Gramscian moment: philosophy, hegemony and Marxism*. Vol. 24. Brill, 2009; Lears, TJ Jackson. “The concept of cultural hegemony: Problems and possibilities.”, *The American Historical Review* (1985): 567-593; İseri, Emre. *The US Grand strategy and the Eurasian heartland in the 21st century: with special reference to the main Caspian oil export pipeline BTC*. PhD Diss. Keele University, 2008. pp.6-9.

makes a classical assertion that “world hegemony... is expressed in universal norms, institutions and mechanisms which lay down general rules of behavior for states and for those forces of civil society that act across national boundaries-rules which support the dominant mode of production.”¹⁸¹ In the scholarship of Susan Strange, “relational power” and “structural power” conveys a similar meaning. The former is defined as “the power of A to get to B to do something they would not otherwise do”, while the latter is “the power to shape and determine the structures of the global political economy... the power to set agenda of discussion or to design the international regimes of rules and customs that are supposed to govern international economic relation... confers the power to decide how things shall be done, the power to shape frameworks...”.¹⁸² In this way, IR academia has established a basic framework to analyze the “power of thoughts”.

The concept of “soft power” developed by Joseph Nye is another interpretation of the “power of thoughts”. Contrary to hard power and coercion, soft power is a means of persuasion and ability to shape the preferences of other countries through non-coercive methods, such as economic aid, political values and shared culture. The soft power of a country is the joint force of economy, politics, culture and national image. The effect of soft power is compelling, comprehensive and consistent, which makes it a shared fortune and strength for the government, enterprises and citizens of a country. Given the relatively peaceful international environment and the prohibition on resorting to military force, soft power plays a growingly significant role in diplomacy as the low-cost approach to deal with foreign affairs.

When China has engaged in international affairs more deeply, China feels imperative to strengthen its soft power commensurate with its growing hard power. Given the entrenched value and ideological discrepancy with the West, China can hardly develop

¹⁸¹ Cox, R.G., 1993. Hegemony and International Relations: An Essay in Method,’. Gramsci, *Historical Materialism and International Relations*, pp.62.

¹⁸² Strange, Susan. “*States and Markets*, 2nd ed.” London: Pinter (1994). pp.24-25.

soft power in a classical way defined by Western scholars. As argued by Joseph Nye, China has a deficit in soft power due to its leash on civil society.¹⁸³ More specifically, the soft power of a country rests primarily on three resources: culture, political values and foreign policies. Rather than the government, the products from civil society ranging from universities to pop culture are the main source of soft power. Thus, China's assertive diplomatic actions and rigorous domestic social regulations may compromise its "charm offensives", such as Confucius Institutes and aid programs.¹⁸⁴ Joseph Nye coins another concept of "smart power", defined as the ability to combine hard and soft power resources into effective strategies, to clarify the misconception that soft power alone can produce effective foreign policy. Unlike soft power which can be used in both good and bad ways normatively, smart power has value evaluation built in the definition.¹⁸⁵ The Center for Strategic and International Studies defines smart power in a relatively value-neutral way, as developing an integrated strategy drawing on both hard and soft power.¹⁸⁶ Therefore, due to the sharp divergence of values, China faces an uphill drive to develop both soft power and smart power in Western definitions.

In a "China threat theory" context, China's attempts to build up soft power in a Western way are labeled as "sharp power" by the West, which sends a clear message of the Cold War-like ideological rivalry to the audience. The National Endowment for Democracy asserts that the authoritarian and repressive nature of the Chinese regime makes any activities of soft power de-facto sharp power techniques which "should be seen as the tip of their dagger" and "enables it to cut into the fabric of a society."¹⁸⁷ The difference between soft power and sharp power turns out to be the former "harnesses the allure of culture and values to add to a country's strength" while the latter "helps authoritarian

¹⁸³ The Wall Street Journal, China's Soft Power Deficit, <https://www.wsj.com/articles/SB10001424052702304451104577389923098678842>.

¹⁸⁴ Joseph S. Nye, What China and Russia Don't Get About Soft Power, <https://foreignpolicy.com/2013/04/29/what-china-and-russia-dont-get-about-soft-power/>.

¹⁸⁵ Nye Jr, J.S., 2013. *Hard, soft, and smart power*; The oxford handbook of modern diplomacy.

¹⁸⁶ Cohen, W.S., Greenberg, M.R. and McGiffert, C., 2009. *Smart Power in US-China Relations*. a Report of the CSIS Commission on China, pp.4.

¹⁸⁷ National Endowment for Democracy, Sharp Power: Rising Authoritarian Influence, <https://www.ned.org/wp-content/uploads/2017/12/Sharp-Power-Rising-Authoritarian-Influence-Full-Report.pdf>, pp.13.

regimes coerce and manipulate opinion abroad”.¹⁸⁸ In some sense, sharp power is somewhat developed to be a term to describe China's soft power in an ideological-oriented manner.

Viewed from the intellectual evolution from soft power, smart power to sharp power, this thesis contends that the West's deep-rooted suspicion of China restricts China from building up its soft power in the Western discursive system. This is the manifestation of Western discursive power, enabling the West to “successfully introduce, amplify, and maintain topics, frames, and speakers that other contributors pick up in their coverage”, and “endows the objects of international relations with a particular meaning and delineates what potentials and constraints exist in world politics, what can be said or done, and what kind of positions may legitimately be taken.”¹⁸⁹ China's failure in developing soft power in a classical way is an epitome of its overall defeat against Western discursive power. Due to the absence of a well-developed theoretical system to substantiate its values and discourse, China can hardly challenge Western discursive power in the foreseeable future. In specific, the fact that China is inclined to suffix “Chinese characteristics” to the theories coined by itself, such as “Socialism with Chinese characteristics”, demonstrates the inability of Chinese academia to develop original theories. As a result, China is restrained from theorizing and universalizing its own experiences and challenging the universalism and indisputability of Western standards, values and norms.

According to the logic of Marxist historical materialism that the economic base determines the superstructure, China tends to regard its economic development as the

¹⁸⁸ The Economist, What to do about China's “sharp power”, <https://www.economist.com/leaders/2017/12/14/what-to-do-about-chinas-sharp-power>.

¹⁸⁹ Jungherr, A., Posegga, O. and An, J., 2019. “Discursive Power in Contemporary Media Systems: A Comparative Framework”, *The International Journal of Press/Politics*, Vol 24(4), pp.404-425; Thorsten Wojczewski, “Global power shifts and world order: the contestation of ‘western’ discursive hegemony”, *Cambridge Review of International Affairs*, Vol 31, No.1, 2018, pp.1-20. For more readings about discursive power, please see Lukes, S., 2004. *Power: A radical view*. Macmillan International Higher Education; Laclau, E. and Mouffe, C., 2014. *Hegemony and socialist strategy: Towards a radical democratic politics*. Verso Trade; Reed, I.A., 2013. “Power: Relational, discursive, and performative dimensions”, *Sociological Theory*, 31(3), pp.193-218; Nabers, D., 2008, September. *Leadership and discursive hegemony in international politics*. In *st Regional Powers Network conference in Hamburg*.

foundation to counteract the West's overwhelming discursive power. In the long run, the persuasion and credibility of ideology and value are ultimately decided by economic performance and people's living standards. Encouraged by the impressive economic growth and the Pareto improvement of people's lives, China is confident about proposing an alternative approach of development and modernization, in order to challenge the universalism of the neoliberal Washington Consensus, the base of Western discursive and normative power. The most remarkable endeavor is the promotion of "the China Model", a Chinese counterpart and alternative to the Washington Consensus, which prioritizes stability and development. This should be regarded as China's attempt to cultivate a corresponding governing system, so as to legitimize and universalize its approach of development. Given the fact that China's rise is the only case in history that a backward country industrializes and modernizes in a non-Western way, China has roughly theorized its experiences in development as "the China Model", which is presumed to have the potential to challenge the universality and un-substitutability of the Washington Consensus in the long run.¹⁹⁰ Contrary to "procedural legitimacy" in neoliberalism, "the China Model" emphasizes "performance legitimacy", namely, focusing on the improvement of people's lives from economic growth and inclusive development. In "the China Model" creeds, stability and development should be prioritized in developing countries because these goals are more inclusive and objective, which pave the way for the Pareto improvement of people's lives there. "The China Model" tries to make itself more appealing to the world by providing developing countries with a more practical approach to build a medium-developed society in one or two generations. Regarding the approach of norm making, China is supposed to adopt an "indirect approach" in the Western context or "surrounding cities from the countryside" in Mao Zedong's narrative, exhibited by the fact that "the China Model" has been primarily applied in developing countries.

In conclusion, China deems a role of "norm-maker" indispensable for fulfilling "the

¹⁹⁰ Maurits Elen, Interview: Joshua Cooper Ramo, <https://thediplomat.com/2016/08/interview-joshua-cooper-ramo/>.

great rejuvenation of the Chinese nation”. Impelled by its identity and Western discursive power, China seeks to cultivate an alternative approach of development to strengthen its soft power and curtail the costs of diplomatic actions. The promotion of the development-oriented China Model is the spearhead, which is coined to bolster China’s normative power and challenge the universalism of the Washington Consensus in the long run. Based on the core concepts of stability and development, as well as the economic performance of recipients, China attempts to set its own agenda in global discourse and counter the West’s prevailing discursive power.

2.5 Conclusion

In conclusion, this thesis suggests that China has mapped out a well-crafted grand strategy. Specifically speaking, through itemizing the grandiose motto of “the great rejuvenation of the Chinese nation”, this thesis asserts that China aspires to become “the center of production and trade” materially and “a norm-maker” conceptually. As the base of power, “the center of production” is the foundation of China’s grand strategy making, endorsed by “the center of science and technology” and “the center of trade”. China also seeks to be “a norm-maker”, namely, cultivates soft power by promulgating “the China Model” and offsets Western discursive power by putting the universalism of the Washington Consensus to the test.

China’s strategic objectives in both material and conceptual terms are supposed to challenge the predominance of the West, resulting in a profound strategic confrontation between China and the West. Given the fact that China is located in the lower end of the GVC, its ambition to upgrade itself to be “the center of production” will inevitably impact the division of labor in the higher end and encroach on the profit and market share of developed countries. In addition, the waning of discursive power and norm-making ability will elevate the cost of actions of the West. Hence, it is foreseeable that the West, especially the US, will thwart China’s endeavors to upgrade its industrial

system and stigmatize China's attempts to foster soft power. However, as China is committed to these strategic objectives while the West is clinging to its vested interests, the clash between these two sides' *raison d'état* seems to be the primary flashpoint in the current international order and gives rise to the tragedies of great power politics in some sense. Therefore, as a rising power, China is impelled to find the methods to manage and mitigate such antagonism and conflict.

Chapter Three: Striking a Strategic Balance with the US: The US as the Principal External Determinant of China's Grand Strategy Making

China regards the US, the only superpower in the world, as its principal strategic rival. Because of the conflicting national interests, the US plays a negative role in shaping China's strategic surroundings and imposes the heaviest external pressure on China's decision-making system. Globally speaking, US incomparable advantages in alliance network, power projection capability, finance and ideology thwart China's attempts to expand its influences overseas. Regionally speaking, the outstanding Taiwan issue is reckoned as the most sensitive part of China's diplomacy and may embroil these two mutual-doubt giants in a full-fledged war. In China's view, US overt or covert backing emboldens Taiwan's separatism and prevents China from achieving its national reunification. What's more, with the reverting of strategic imbalance in East Asia by China, the US is expected to take the Taiwan issue as an opportunity to stymie this process, which has been taken into consideration by Chinese strategists. In addition, from a Chinese perspective, the entrenched US influence on South Korea and Japan impedes East Asian integration. Relying on the forward-deployment force in South Korea, Japan and the three island chains, the US poses an asymmetric threat to China's homeland security. The US has flexible conventional choices to strike China while China only has unreliable nuclear methods to retaliate against the US homeland, even Guam is beyond the reach of China's arsenal. Regarding nuclear power, the ultimate strategic deterrence and guarantee, China is far from reaching a basic balance with the US, the number of nuclear warheads is disproportionately 280 versus 6550.¹⁹¹

¹⁹¹ Arms Control Association, 2018 estimated global nuclear warhead inventories, <https://www.armscontrol.org/factsheets/Nuclearweaponswhohaswhat>.

In sum, the US keeps considerable pressure on China in terms of system, region and military. Globally speaking, the US is the arch-rival to China to expand and protect its growing interests worldwide. Regionally speaking, the US remains the principal uncertainty to China's reunification, homeland security and East Asian integration. Furthermore, due to the deficiency in power-projection capability, alliance network and soft power, China is unable to neutralize US offensives by reliable and equivalent countermeasures. Therefore, this thesis argues that the Sino-US contradiction is largely structural in the long run and the US is the primary external factor affecting China's grand strategy making in a deconstructive way. In parallel with the first task, "to be the center of production and trade" illustrated in Chapter Two (elevating China's position in the global production structure), China takes "striking a strategic balance with the US" (enhancing China's status in the global power structure) as the second principal mission of its grand strategy, which will be demonstrated in this chapter. These two objectives constitute the foundation of China's grand strategy making.

3.1 China's Rise and the Restoration of the UN-Led Post-War International Order

Whether China is a "revisionist power" threatening the liberal international order (LIO) is a heatedly-debated topic in IR academia. To the relatively dominant optimistic branch, the LIO is more resilient and enduring than the "decline" wisdom would suggest, even when US power is receding.¹⁹² Moreover, the distribution of ideas and identity will further restrain China's attempts to do so.¹⁹³ China is no more than a "revisionist stakeholder",¹⁹⁴ "pursuing a liberal partnership order composed of an open economic

¹⁹² Ikenberry, G.J., 2011. *Liberal Leviathan: The origins, crisis, and transformation of the American world order*. Princeton University Press; Ikenberry, G.J., 2018. "The end of liberal international order?", *International Affairs*, 94(1), pp.7-23; Dunne, T. and Flockhart, T., eds, 2011, *Liberal international orders*. Oxford University Press.

¹⁹³ Allan, B.B., Vucetic, S. and Hopf, T., 2018. "The Distribution of Identity and the Future of International Order: China's Hegemonic Prospects". *International Organization*, 72(4), pp.839-869.

¹⁹⁴ Zhao, S., 2018. "A Revisionist Stakeholder: China and the Post-World War II World Order", *Journal of Contemporary China*, 27(113), pp.643-658.

order, a relatively more equal political order and a cooperative security order”¹⁹⁵ and “seeks a gradual modification of Pax Americana, not a direct threat to it”.¹⁹⁶ To the weaker pessimistic branch, China intends to undermine the norms and rules of the LIO and may pose an end to this system.¹⁹⁷ While to another school, the label “revisionist” or “status quo” is too oversimplifying which either overlooks the complexity of a nation’s behavior or absolutizes the behaviors according to identity.¹⁹⁸ In addition, instead of focusing on China, some scholars scrutinize the logic of US grand strategy and the LIO from a realist lens, appealing for restraint and conservatism from the US.¹⁹⁹ According to them, the LIO led by the US is incompatible with the geopolitical status quo against the China rise backdrop. Adhering to the LIO may risk reducing US security, making US foreign policy inflexible and lead to overextension.²⁰⁰

This thesis suggests that the aforementioned debates fail to pay enough attention to a deconstructive fact that the LIO, like Voltaire’s sardonic remark to the Holy Roman Empire, “was in no way holy, nor Roman, nor an empire”, is neither liberal nor international. Moreover, when populism and isolationism are increasingly gaining momentum in the US and the West, the LIO can no longer be perceived as an order that makes international affairs forecastable. It is noteworthy that China has never admitted the legitimacy of the US-led LIO, but instead, China enshrines the UN-led Post-War International Order (PIO) as the legitimate source of its global status. China’s rise is conforming to the rules and norms of the PIO, rather than that of the LIO. As Chairman

¹⁹⁵ Xinbo, W., 2018. “China in search of a liberal partnership international order”, *International Affairs*, 94(5), pp.995-1018.

¹⁹⁶ Schweller, R.L. and Pu, X., 2011. “After unipolarity: China’s visions of international order in an era of US decline”, *International security*, 36(1), pp.41-72.

¹⁹⁷ Jacques, M., 2012. *When China rules the world: The rise of the middle kingdom and the end of the western world*. Penguin UK; Acharya, A., 2018. *The end of American world order*. John Wiley & Sons; Layne, C., 2018. “The US–Chinese power shift and the end of the Pax Americana”, *International Affairs*, 94(1), pp.89-111; Brazys, S. and Dukalskis, A., 2017. “Canary in the coal mine? China, the UNGA, and the changing world order”, *Review of International Studies*, 43(4), pp.742-764.

¹⁹⁸ Johnston, A.I., 2003. “Is China a status quo power?”, *International security*, 27(4), pp.5-56; Goddard, S.E., 2018. “Embedded Revisionism: Networks, Institutions, and Challenges to World Order”, *International Organization*, 72(4), pp.763-797; Chan, S., Hu, W. and He, K., 2019. “Discerning states’ revisionist and status-quo orientations: Comparing China and the US”, *European Journal of International Relations*, 25(2), pp.613-640.

¹⁹⁹ Posen, B.R., 2014. *Restraint: A new foundation for US grand strategy*. Cornell University Press; Lind, J. and Wohlforth, W.C., 2019. “The Future of the Liberal Order is Conservative: A Strategy to Save the System”, *Foreign Aff.*, 98, pp.70.

²⁰⁰ Glaser, C.L., 2019. “A Flawed Framework: Why the Liberal International Order Concept Is Misguided”, *International Security*, 43(4), pp.51-87.

Xi Jinping articulated in his statement at the General Debate of the 70th Session of the UN General Assembly, “China will continue to uphold the international order and system underpinned by the purposes and principles of the Charter of the United Nations”, the authority of the UN is the ultimate source of legitimacy of China and its diplomatic actions in the international community.²⁰¹ Ambassador Cui Tiankai, the Chinese Ambassador to the US made China’s attitude more clearly, “when we talk about the international order, we are referring to the one that was established at the end of the Second World War with the United Nations system at its core and the UN Charter as its basis. The purposes and principles of the UN Charter lay out the basic norms of international relations.”²⁰² According to the official statements of China, it is evident that China defines itself in the UN-led PIO and follows the norms of the PIO, which are contrasting with the LIO norms on some critical points, such as sovereignty. Therefore, it is misleading to evaluate China’s diplomatic actions with LIO logics and discuss whether China is a “revisionist” against this backdrop. Accordingly, this thesis argues that the PIO is overshadowed by the LIO, owing to US prevailing discursive power. The LIO discourse can be perceived as a kind of cultural hegemony from the views of Antonio Gramsci or Robert Cox, which not only justifies US containment of China but also rationalizes US predominance in the world.

This thesis challenges the universalism of the LIO as follows. Firstly, the LIO is not liberal, but “a class-based, elitist hegemony with racial and colonial assumptions” or “hierarchy in anarchy”.²⁰³ In practice, egalitarian liberalism based on sovereign equality has changed and the world is divided into the liberal and the non-liberal bloc according to whether a country enshrines democracy and human rights as domestic value principles.²⁰⁴ Liberal countries are entitled to be “more equal than others” in

²⁰¹ Xinhua Net, Xi Jinping’s speech at the General Debate of the 70th Session of the UN General Assembly, http://www.xinhuanet.com/world/2015-09/29/c_1116703645.htm.

²⁰² Embassy of the PRC in the USA, Remarks by Ambassador Cui Tiankai at the Fairbank Center for Chinese Studies, <http://www.china-embassy.org/chn/zmgx/t1552684.htm>.

²⁰³ Parmar, I., 2018. “The US-led liberal order: imperialism by another name?”, *International Affairs*, 94(1), pp.151-172; Donnelly, J., 2006. “Sovereign inequalities and hierarchy in anarchy: American power and international society”, *European Journal of International Relations*, 12(2), pp.139-170; Clark, I., 1989. *The hierarchy of states: Reform and resistance in the international order* (No. 7). Cambridge University Press.

²⁰⁴ Simpson, G., 2004. *Great powers and outlaw states: unequal sovereigns in the international legal order* (Vol.

George Orwell's *Animal Farm*'s meaning. They are endowed with special rights and morally justified to dictate international affairs, even in a militant way.²⁰⁵ Consequently, a liberal hierarchy within the inclusive and consent-based PIO is established, empowering the liberal bloc, especially the US, the legitimacy to arbitrate international affairs bypassing UN legitimacy mandate, such as in the 2003 Iraq War.

Secondly, neither is the LIO international. As John Ikenberry argues, this order is not a global one originally, but one built inside one half of the bipolar Cold War system. When the Soviet Union collapsed, this inside order went global.²⁰⁶ Moreover, given its inherent inclination to distinguish insider and outsider, the LIO can hardly become an inclusive and equal order for all countries. According to John Mearsheimer, US attempts to make the LIO a "thick bounded order" are "bound to fail". In his typology, at the world level, there will be a "thin international order" and two "thick bounded orders" led by China and the US respectively. The US should roll back to a realist "thick bounded border", rather than futilely pushing forward the LIO.²⁰⁷ Furthermore, liberal norms and values have not yet been recognized globally. According to the English School's (ES) typology, "international society" (social structure) is differentiated from "international system" (material structure). The concept of "primary institutions" is the principal analytical tool of the ES, which is defined as an evolved criterion defining legitimacy in "international society", contrasted with the "secondary institutions" that are designed for specific purposes and appeared in the late 19th century. Presently speaking, the liberal rules and norms are emerging but contested, which are far from being the globally acknowledged ones.²⁰⁸

32). Cambridge University Press, pp. 279-283; Kingsbury, B., 1998. "Sovereignty and inequality", *European Journal of International Law*, 9(4), pp.599-625.

²⁰⁵ Dillon, M. and Reid, J., 2009. *The liberal way of war: Killing to make life live*. Routledge; Reus-Smit, C., 2005. "Liberal hierarchy and the license to use force", *Review of international studies*, 31(S1), pp.71-92.

²⁰⁶ Ikenberry, G.J., 2009. "Liberal internationalism 3.0: America and the dilemmas of liberal international order", *Perspectives on Politics*, 7(1), pp.71-87; Ikenberry, G.J., 2018. "The end of liberal international order?", *International Affairs*, 94(1), pp.7-23.

²⁰⁷ Mearsheimer, J.J., 2019. "Bound to Fail: The Rise and Fall of the Liberal International Order", *International Security*, 43(4), pp.7-50.

²⁰⁸ Buzan, B., 2018. "China's rise in English school perspective", *International Relations of the Asia-Pacific*, 18(3), pp.449-476.

Thirdly, the LIO is no longer an order. Following John Ikenberry's definition, order refers to the governing arrangements among a group of states, including its fundamental rules, principles and institutions.²⁰⁹ According to John Mearsheimer, an order is an organized group of international institutions that help govern the interactions among member states.²¹⁰ Therefore, the essence of an international order is to provide actors with a predictable future. However, since President Donald Trump assumed power, the US seems to shape the international order by an "America First" mantra. Based on the identity of "exploited benevolent hegemon", the US intends to redefine its relations with allies and the international community in terms of security, trade and finance. This thesis argues that the US manages to shirk the responsibility of global leadership while enjoying hegemonic benefits, finally fostering an international system tailored to US interests.²¹¹ Considering the US grand strategy in the Trump administration, it is the US itself that undermines the rule-based LIO and attempts to replace it with a series of power-based and America-first international arrangements. In consequence, the Trump administration builds its foreign policy on the short-term interests of the US, instead of the norms and rules of the LIO, rendering the LIO dysfunctional to some extent.

Therefore, it is debatable whether the LIO has the legitimacy to take the place of the PIO. In Oriental political thoughts, the LIO is no more than a kind of "Badao" (霸道 rule by tyranny and coercion). Referring to Japanese history as an analogy, the LIO functions in the role of the shogunate while the UN-led PIO is shelved as the emperor. The supreme power (the US) and supreme authority (the UN) are in separation from each other, rendering the system more unstable. Although the LIO has attempted to build up its own authority to bypass the incumbent UN one, such a liberal authority can hardly be accepted by the great powers excluded from the liberal bloc, in particular China and Russia, as the LIO turns a blind eye to the geopolitical status quo and the "concert of great powers" logic embodied in UN rules. In the LIO context, it makes

²⁰⁹ John Ikenberry, *After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order After Major Wars*, Princeton: Princeton University Press, 2019, pp.23.

²¹⁰ John Mearsheimer, "Bound to fail: The rise and fall of the liberal international order", pp.9.

²¹¹ Norrlof, C., 2018. "Hegemony and inequality: Trump and the liberal playbook", *International Affairs*, 94(1), pp.63-88.

sense to label China as a “revisionist” while in the PIO context, such accusations are largely misleading and untenable.

Subsequently, it is imperative to enumerate the major differences between the PIO and the LIO. The existing literature about the international order usually confuses the LIO with the PIO. This thesis contends that the LIO and the PIO are distinct from each other in essence though they share some common points. In the Chinese official statements, the Five Principles of Peaceful Coexistence are regarded as the principles to tackle its relations with other countries.²¹² Similarly, in the UN Charter, the principles are sovereign equality, settling the international disputes by peaceful means, refraining from the threat or use of force against the territorial integrity or political independence of any state, non-interference in matters which are essentially within the domestic jurisdiction.²¹³ Hence, it is evident that China follows the principles of the UN-led PIO to tackle international affairs, building its authority and legitimacy within the PIO framework. In view of the principles of China and the UN, it is apparent that the core of them is the absoluteness and exclusivity of sovereignty. In a realist logic, given the prevailing national strength and discursive power of the US, other countries, especially those excluded from the liberal bloc, require sovereignty in the PIO to seek shelter from US assertiveness, including military invasion, which can be legitimized by the LIO. Furthermore, China enshrines the UN-led PIO because it is a permanent member of the United Nations Security Council (UNSC), i.e., a great power recognized by the UN. Thanks to the “concert of great powers” principle embodied in the Article 27 of the UN Charter, China can take advantage of its status in the UNSC to balance the US within the PIO framework, which facilitates China to strike a strategic balance with the US, as the weaker side of the bilateral relations.²¹⁴ Therefore, this thesis points out that the primary differences between the LIO and the PIO lie in their different attitudes towards

²¹² The Five Principles of Peaceful Coexistence are listed as: mutual respect for each other's territorial integrity and sovereignty, mutual non-aggression, mutual non-interference in each other's internal affairs, equality and mutual benefit, and peaceful co-existence.

²¹³ United Nations, Charter of the United Nations, <https://www.un.org/en/sections/un-charter/chapter-i/index.html>.

²¹⁴ United Nations, Charter of the United Nations, Chapter V, Article 27, 3, Decisions of the Security Council on all other matters shall be made by an affirmative vote of nine members including the concurring votes of the permanent members, <https://www.un.org/en/sections/un-charter/chapter-v/index.html>.

sovereignty and “concert of great powers”. Hence, rather than whether China is a “revisionist” in the LIO, more thought-provoking questions should be how the US-led LIO dysfunctions the UN-led PIO, how China’s rise undermines the LIO and reshapes the power distribution in the PIO, and how China reclaims its rights commensurate with its “legalized hegemony” identity entitled by the PIO.²¹⁵

As a matter of fact, the PIO and the LIO share a series of common points and the liberal economic order represented by the WTO is the most remarkable one among them. This is a crucial reason why China advocates the PIO. Given its putative identity as “the center of production and trade”, China needs a liberal international trade mechanism to accommodate its enlarging productive capacity. This is exhibited by China’s law-abiding records within the WTO framework. China is the respondent in 42 cases and the complainant in 17 cases, while the US figure is 147 and 122 respectively. There are six economies prosecuting China in 42 disputes, the US accounts for 23 and the EU 9. In contrast, with respect to the US, 28 countries have been the complainant, and the EU is the highest with 34 cases and Canada follows with 20 ones. The number of cases for South Korea, China, Brazil, India, Mexico and Japan is 14, 12, 11, 11, 10 and 8 respectively.²¹⁶

Despite the fact that China is a staunch proponent of UN norms and rules, from the perspective of power distribution, China’s growing strength and the concomitant claims to a commensurate position in the PIO will surely reshape the current international order like a “revisionist”. For both the PIO and the LIO, China’s rise is bound to change the status quo with uncertainties because no international order has ever accommodated a billion-population-level centralized and modernized nation-state as large as China. As a historical reference, the modernization of hundred-million-population-level countries, the US and the Soviet Union, broke the Europe-centric international order once and for

²¹⁵ Zhang, Y., 2016. “China and liberal hierarchies in global international society: power and negotiation for normative change”, *International Affairs*, 92(4), pp.795-816.

²¹⁶ WTO, Disputes by member, https://www.wto.org/english/tratop_e/dispu_e/dispu_by_country_e.htm#top.

all and reduced Europe to the “chessboard” of the Cold War. On this point, neither the PIO nor the LIO can accommodate China without reshuffling the power and interest distribution in the order. The rise of a great power is the expansion of its interests, but this process itself does not necessarily indicate reshuffles in the existing order that give rise to conflicts. In fact, it is the incompatibility between the expanding interests and the existing order that leads to confrontations. If the international order is flexible and inclusive enough, it can accommodate the rising power's interests and readjust institutional arrangements to reflect and keep pace with power transition. That is partly the reason why the Vienna System and the Yalta System were sustainable but the Versailles System gave rise to the outbreak of WWII. However, owing to China's enormous size, if its expanding interests are fully represented, the West's interests will be overshadowed.

Nevertheless, China can hardly transform its potential into strength anytime soon, enabling it to uphold a post-western international order. Instead, China's “risk exposure” has been widened as the US is retreating from a wide range of international obligations. Since President Donald Trump assumed office, he has shown a populist trend to reshape the international order with “America First” and “Make America Great Again”, which poses a critical threat to the LIO. As Joseph Nye argued, “I'm much more worried about the rise of Trump than the rise of China”.²¹⁷ Although the US has withdrawn from a wide range of treaties as a result of mounting protectionism and isolationism, China is unprepared and unable to fill the vacancies. It has to be admitted that the US assumes most international obligations and maintains the international order function, especially in military terms. From the ES view, “primacy” is based on the substantive power one possesses in the material distribution of power, while “hegemony” rests on social recognition and rights and duties. Hegemony should be treated as a potential institution of international society, like the role great powers play.²¹⁸ In other words, in material

²¹⁷ Joseph Nye, Inaugural Annual Lecture with Guest Speaker Professor Joseph Nye in King's College London, <https://soundcloud.com/warstudies/josephnye>.

²¹⁸ Clark, I., 2011. *Hegemony in international society*. Oxford University Press, pp.23-28; Clark, I., 2009. “Towards an English School theory of hegemony”, *European Journal of International Relations*, 15(2), pp.203-228.

and normative terms, the US is still the recognized hegemon of the current international order, though its power in these two dimensions is receding. China's influence pales in comparison. Compared with its prestige in economy and trade, China almost disappears in military affairs. Although Xi Jinping has set foot on a more confident diplomatic track, his ambition is confined by China's global power projection capabilities. Thus, China still takes a tentative stance in interfering with military affairs and refrains itself from deeply engaging in regional crises, even in some gateway affairs like the Syrian Civil War. Therefore, it is obvious that China is unable to offer a complete set of alternatives to the global public goods provided by the US presently. Ironically, China turns out to be a major consumer of those US-provided global public goods.

This gives rise to the criticism that China shirks its due international responsibility.²¹⁹ As a matter of fact, China is increasingly committing itself to international obligations, ranging from the promotion of G20, the UN peacekeeping to the pledges to climate change. However, the West still assumes that China enjoys more than it contributes. From the view of China, that is because the US is hesitant to transfer power and hand over rights to China, thus China is reluctant to hold the corresponding responsibility. Regarding IR theories, ranging from classical theories about power transition to the Graham Allison-coined "Thucydides trap", power transition is destined to be imbued with turbulence.²²⁰ While against the LIO backdrop, China is by no means a "responsible stakeholder" being accountable for the LIO since it can hardly hold a proportionate stake.²²¹ That is to say, even though China should take more international obligations (in the PIO rather than the LIO) transferred from the US, China should accordingly be entitled to more rights commensurate to it. Nevertheless, the US tends to emphasize the responsibility that China should shoulder while paying little attention to its own, i.e., to accommodate China in the LIO and hand over more rights to China.

²¹⁹ Bergsten, C.F., 2008. "A partnership of equals: how Washington should respond to China's economic challenge", *Foreign Affairs*, pp.57-69; Acharya, A., 2011. "Can Asia lead? Power ambitions and global governance in the twenty-first century", *International Affairs*, 87(4), pp.851-869.

²²⁰ Allison, G., 2017. *Destined for war: can America and China escape Thucydides's trap?* Houghton Mifflin Harcourt; Mearsheimer, J.J., 2001. *The tragedy of great power politics*. WW Norton & Company; Mearsheimer, J.J., 2006. *China's unpeaceful rise*. CURRENT HISTORY-NEW YORK THEN PHILADELPHIA, 105(690).

²²¹ Etzioni, A., 2011. "Is China a responsible stakeholder?", *International Affairs*, 87(3), pp.539-553.

Although American scholars have coined a number of new concepts, such as “Chimerica” and G2 to explicate the special Sino-US relations, they somewhat overlook the crux of the dilemma, namely, how to redistribute rights and responsibility between China and the US in the LIO or the PIO. In contrast, the US has introduced a series of assertive policies, such as rebalance and collective-pressure, aiming to compress China’s strategic space.²²² In this regard, the entrenching Sino-US strategic distrust hinders a bargain between the two giants about the redistribution of rights and responsibility in the international order.

Furthermore, due to China’s weaker negotiating status, the increase in input can hardly be translated into the output of the corresponding power transition. Although scholars such as Charles Glaser and Hugh White have advocated that the US should respect China’s influence and share power with China in the Asia-Pacific,²²³ their suggestions stress acknowledging the status quo rather than recommending methods to build a practical regime to share power via negotiation. From the Chinese perspective, these “concessions” are designed to delineate a “legitimate” scope of activity for China in a narrow space (within the first island chains). In other words, that is no more than a US unilateral “bestowal” overlooking China’s rights and pursuits as a great power, which refuses to reflect the dynamic equilibrium of power in real time. Therefore, although the concept of “G2” has been proposed in as early as 2009, which somewhat acknowledges China’s status as a great power,²²⁴ China declines to play a “great power” role living up to US expectations.

In conclusion, it is misleading to define China’s identity by the binary “status quo power” or “revisionist” in the LIO context. In contrast, China should be regarded as a “legalized

²²² Green, M., Hicks, K. and Cancian, M.F., 2016. *Asia-Pacific rebalance 2025: Capabilities, presence, and partnerships*. Rowman & Littlefield; Hal Brands and Zack Cooper, After the Responsible Stakeholder, What? Debating America’s China Strategy, <https://tnsr.org/2019/02/after-the-responsible-stakeholder-what-debating-americas-china-strategy-2/>.

²²³ Glaser, C.L., 2015. “A US-China grand bargain? The hard choice between military competition and accommodation”, *International Security*, 39(4), pp.49-90; White, H., 2013. *The China choice: Why we should share power*. OUP Oxford.

²²⁴ Zeng, J. and Breslin, S., 2016. “China’s ‘new type of Great Power relations’: a G2 with Chinese characteristics?”, *International Affairs*, 92(4), pp.773-794.

hegemony” and one of the largest beneficiaries of the PIO. Accordingly, China seeks to restore UN authority overshadowed by the LIO and assumes more responsibilities in the PIO so as to embed its growing interests into it. That is to say, China pursues a proportionate status to its growing power entitled by the PIO and intends to deny US privileges justified by the LIO, exhibited by its ambition of “building a new international political and economic order on the basis of the Five Principles of Peaceful Coexistence”.²²⁵ It should also be noted that China’s rise is destined to reshape the LIO or the PIO because of its size. If the emerging interests of China are fully represented in the existing order, the vested interests of the US and the West will be dwarfed. As a result, the US declines to hand over more rights to China but wants China to hold more responsibilities, vice versa. Therefore, China and the US are talking at cross purposes about the international order, the different sources of legitimacy make Sino-US contradiction largely structural.

3.2 The Forward Presence of the US in East Asia and the Setback of China’s East Asian Integration

China is unsatisfied with the status quo in East Asia and the Western Pacific. The Pacific Ocean may be vast enough for both China and the US, but the Western Pacific is undoubtedly too small.²²⁶ China’s discontent mainly comes from the persistence of the “Cold War Structure” in East Asia. Domestically speaking, reunification is still pending while regionally speaking, China is stuck in a worsening deadlock with Japan and South Korea. Behind them, the three island chains are held by the US as the military backbone

²²⁵ The Foreign Ministry of the PRC, Build a new international order on the basis of the Five Principles of Peaceful Coexistence, https://www.fmprc.gov.cn/mfa_eng/ziliao_665539/3602_665543/3604_665547/t18016.shtml.

²²⁶ Shi Yinhong, “China’s Western Pacific of Asia Strategy and the South China Sea Issue”, *Southeast Asian Studies*, No.5, 2016 (时殷弘:《关于中国的亚洲西太平洋战略和南海问题》,《东南亚研究》). From an opposite perspective, the potential flash point between China and the US is also in this region, please see Montgomery, E.B., 2014. “Contested primacy in the Western Pacific: China’s rise and the future of US power projection”, *International Security*, 38(4), pp.115-149; Biddle, S. and Oelrich, I., 2016. “Future Warfare in the Western Pacific: Chinese Anti access/Area Denial, US Air Sea Battle, and Command of the Commons in East Asia”, *International Security*, 41(1), pp.7-48.; Beckley, M., 2017. “The Emerging Military Balance in East Asia: How China’s Neighbors Can Check Chinese Naval Expansion”, *International Security*, 42(2), pp.78-119.

targeting China. Besides, China is an East Asian country, but a late-comer to the East Asian order, which was formed in the ruins of WWII and largely represents US interests. Unlike the PIO in which China enjoys veto power, China finds itself not only being misrepresented but also being targeted in the East Asian order. In other words, China is being marginalized and besieged in this regional order. By the LIO logic, the West is inclined to define China's pursuits of its legalized rights in East Asia as a great power in the PIO as "revisionism" and "aggressiveness", and justify the "Cold War Structure" in East Asia as a "rules-based order". In this way, like the illustration in the previous section, the conflicts in East Asia and the Western Pacific between China and the West turn out to be an epitome of the LIO versus the PIO rivalry. Nevertheless, structurally speaking, given the fact that China's size takes a much higher portion in East Asia than that in the world, the reconstruction of a regional order incorporating China's interests proportionately will unavoidably resume China's regional predominance, which would inevitably remind the local countries of "the tributary system". On this point, in contrast to the circumstances surrounding European integration, it remains uncertain about how to peacefully embed an oversized China in a consent-based East Asian structure, instead of containing it or indulging it in throwing its weight around.

Prior to the BRI, East Asian integration was the strategic priority of China, which was regarded as a more cost-effective approach to achieve China's strategic objectives. To Chinese policy-makers, given the fact that East Asia increasingly becomes the engine of the global economy, it is expectable that an "East Asia-Centrism" international order is on the horizon, like the "Europe-Centrism" international order before WWI. In this way, as in the case of Bismarck Germany, the relative predominance in East Asia seems to guarantee China's advantage in the world without being overly entangled in global disputes beyond China's reach. Specifically speaking, the total GDP of China, Japan and South Korea is over \$18.5 trillion and the "10+3" (ASEAN plus China, Japan and South Korea) reaches \$21 trillion, while the real GDP growth of this region is over

5.3%, compared with 2.4% of Europe and 2.8% of North America.²²⁷ The “10+3” labor division and the further integration of these 13 countries are projected to transform the entire East Asian region to be “the center of production”. The nucleus is China, Japan and South Korea. They make up 90% of East Asian GDP but the mutual trade dependence degree is only 19.4%, one-third of the EU and half of the North American Free Trade Agreement (NAFTA).²²⁸ If the “10+3” framework and Sino-Japan-South Korean cooperation can be developed to a greater extent, presumably, other smaller economies will gravitate towards China’s orbit in the long run. As the division of labor in East Asia has shown, i.e., China imports high-end components from Japan and South Korea while transferring labor-intensive industries to Southeast Asia and advancing import-substitution, China is likely to functionally integrate its neighboring countries into a “China-centric” production system. Meanwhile, thanks to its enlarging market and elevating status in the GVC, China seems to anchor them around China’s market, instead of the US and the West’s. That is to say, by replacing the West, China may evolve to be the production organizer and market provider of the East Asian economy. Furthermore, a further extent of East Asian economic integration is predicted to create more shared welfare for East Asian countries, laying down a solid foundation for East Asian political cooperation, in which China is likely to build up its regional leadership. Subsequently, ASEAN under the “10+3” framework and other BRI proponents may participate in this bloc, which would allow China to expand its influence institutionally. In this way, the PIO seems to outweigh the LIO in East Asia and China’s strategic objectives of “the center of production and trade” can also be fulfilled by deeper East Asian integration.

Therefore, China envisioned East Asian integration as the most straightforward method to fulfill its ambitions. In fact, this proposal was once endorsed by Japan and South

²²⁷ The World Bank, GDP (current US\$), <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD>; IMF, Real GDP Growth, http://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD/SEQ/SAQ/EAQ/CHN.

²²⁸ Xinhua Net, The China-Japan-Korea cooperation should be propelled on both political and economic terms, http://news.xinhuanet.com/world/2015-10/31/c_1117000081.htm.

Korea. In retrospect, the Sino-Japan-South Korean honeymoon culminated in 2012, featuring the consensus on the Sino-Japan-South Korea Free Trade Agreement. However, before the first round of negotiation in March 2013, the Dokdo/Takeshima disputes between South Korea and Japan and the Diaoyu/Senkaku disputes between China and Japan broke out consecutively in August and September 2012.²²⁹ The deployment of the Terminal High Altitude Area Defense (THADD) in South Korea, which was regarded as a critical threat to China's strategic deterrence, froze Sino-South Korean relations.²³⁰ The conflicting national sentiments, fueled by the sovereign confrontations, put an end to the possible integration. With the launch of the TPP and the "Rebalance" by the US, China's surrounding situation was further exacerbated.²³¹ This series of strategic setbacks in East Asia, as the literature review section has argued, become the primary impetus of China's "March West", before the BRI was proposed.²³² The breakdown of the "Eastward Integration" strategy reminds China of its weakness when confronted with the US. In this way, the "direct approach" prioritizing East Asian integration has to be replaced by the BRI, an "indirect approach".

In a broader sense, the East Asian situation is the epitome of the Sino-US power struggle exhibiting the LIO-PIO legitimacy conflict. The clash between a rising China and the entrenched Cold War structure can be interpreted as the conflict between China's pursuit of "due great power rights" endowed by the PIO and US maintenance of hegemony justified by the LIO. From the Chinese perspective, the existing East Asian order represents the legacy of US triumph in WWII, having been outdated for the contemporary power distribution and imposes mounting pressure on China over time.

²²⁹ China FTA Network, China-Japan-ROK FTA News Release, http://fta.mofcom.gov.cn/china_japan_korea/china_japan_korea_special.shtml; The Guardian, South Korea and Japan face off over disputed islands, <https://www.theguardian.com/world/2012/aug/10/south-korea-japan-disputed-islands>; The Guardian, China and Japan relations tense after standoff over disputed islands, <https://www.theguardian.com/world/2012/sep/14/china-japan-senkaku-diaoyu-islands>.

²³⁰ For further read, please see The Diplomat, THADD deployment to South Korea, <https://thediplomat.com/tag/thaad-deployment-to-south-korea/>.

²³¹ Office of the United States Trade Representative, The United States in the Trans-Pacific Partnership, <https://ustr.gov/about-us/policy-offices/press-office/fact-sheets/2011/november/united-states-trans-pacific-partnership#>; Hillary Clinton, American's Pacific Century, <http://foreignpolicy.com/2011/10/11/americas-pacific-century>.

²³² Wang Jisi, March West: the rebalance of China's geopolitics, http://opinion.huanqiu.com/opinion_world/2012-10/3193760.html.

In this regard, with the rise of China, the US influence in East Asia should ebb and the East Asian order should be reshaped to reflect the current power distribution. Nevertheless, the US cannot afford to run the risk of being marginalized in East Asia. Geopolitically speaking, the US will not tolerate East Asia, the “Rimland” across the Pacific to be integrated by one single great power. That is the primary reason why the US played the role of the major patron of China under the Washington System and the Nine-Power Treaty framework, and the principal benefactor of China in WWII against Japan.²³³ “Divide and Rule” is the principle for offshore balancers. In technological terms, the attack on Pearl Harbor by the Imperial Japanese Navy indicated that one given East Asian great power is able to destroy US power projection capabilities overnight across the Pacific Ocean. Such a risk that the US would be excluded from world politics to a large extent drives the US to engage more deeply in East Asian affairs. In other words, the East Asian great power is a tangible and imminent menace, instead of an ambiguous one forecast by Halford Mackinder which would only pose a maritime threat after fully exploiting East Asian resources, to the US homeland security. Therefore, it is necessary for the US to secure a forward presence in East Asia as an outpost, not only for homeland security but also guaranteeing global leadership.

In terms of economy, East Asian economies are mostly “production-oriented” and “export-oriented”. They chiefly depend on importing overseas resources and exporting manufactures to the world, especially to developed markets through maritime transport. These factors determine that all of them, including China, rely on the stability of the international order and are subject to the greatest maritime power. In addition, since East Asian economies are deeply engaged in global trade and largely rely on the US market, they have been turned into the largest buttress of US dollar hegemony. In terms of forex reserves, China, Japan, Taiwan, Hong Kong and South Korea are ranked first, second, fourth, seventh and ninth respectively. With reference to the holding of US

²³³ For further read, please see Iriye, Akira. *After Imperialism: The Search for a New Order in the Far East 1921-1931*. (1965); Iriye, Akira. *The origins of the Second World War in Asia and the Pacific*. Routledge, 2014; Qi Xisheng, *Allies at Swords' Points: The Sino-US Military Cooperative Relationship during the Pacific War Period (1941-1945)*, Social Sciences Academic Press (China), 2012.

Treasury securities, China and Japan are the top two, followed by Hong Kong and Taiwan in 8th and 10th places.²³⁴ Since the introduction of the euro, the US dollar lost its share in the European market substantially, thus the monetary independence of East Asia may further encroach on US dollar dominance in the world. In terms of geopolitics, Europe and East Asia are two wings of the US-led LIO and the footholds of US offshore balance in Eurasia. When the policies of East Asia and Europe are completely independent, the US may find it harder to interfere with Eurasian affairs, making its monetary hegemony and alliance network fundamentally undermined. Therefore, an integrated East Asia less dependent on the US in trade, finance and security will substantially cripple US unipolar hegemony, which is largely supported by its dominance in these terms.

For these reasons, since neither China nor the US intends to renounce their rights in East Asia, they have to coexist with each other and keep their rivalry at a manageable level. Historically speaking, the US built this current international order in a “formatted” world after WWII, when other great powers were either defeated or severely crippled. Later on, the “accidental primacy” and the prevailing of the LIO are not the result of the growth of US power, but the unexpected collapse of the Soviet Union.²³⁵ In this sense, unless a world war as catastrophic as WWII breaks out or a geopolitical earthquake like the Soviet Union dissolution occurs, no great power can design an international order largely to its own will without compromising with other great powers. In the context that China is rising and the multipolar world is taking shape, the mismatch between US power and privileges is widening. Thus, the US should accommodate rising powers’ interests for the purpose of maintaining a stable and well-functioned international order. On the other side, from a realist view, the rising powers should take US vested interests into consideration as well.

²³⁴ List of countries by foreign-exchange reserves, https://en.wikipedia.org/wiki/List_of_countries_by_foreign-exchange_reserves; US Department of the Treasury, Major Foreign Holders of Treasury Securities, <http://ticdata.treasury.gov/Publish/mfh.txt>.

²³⁵ Tierney, D., 2018. “Accidental primacy: Balancing and the path to power”, *International Relations*, 32(2), pp.127-148.

Nevertheless, confronted with China's rise in East Asian order, the existing literature suggests accommodation, soft balance or hedging in a geopolitical mindset.²³⁶ These works overlook the deepening economic integration of East Asia, regarding China as an external threat rather than an internal engine for East Asian integration. In fact, even for balancing China, an "inclusive" approach embracing China in an East Asian framework is more sustainable than an "exclusive" approach taking China as a threat. As illustrated by the "consociational security order" of Amitav Acharya, it is more peaceful and effective to embed China in a consent-based multilateral framework, in which its interests can be represented in a regional cooperative way.²³⁷ In this method, deeper integration will institutionally neutralize China's "assertiveness" and mitigate regional disputes in East Asia.

Furthermore, it is US hegemony in East Asia that China seeks to exclude, rather than US presence and interests in East Asia. As Hugh White argues, recalling Henry Kissinger's observation that US-China relations are more driven by their similarities, especially their images as international actors, it is unacceptable for the US to tolerate China to dominate the western hemisphere in the way the US dominates East Asia.²³⁸ Given China's enormous size, the largest concern for East Asian countries is the "uncertainties" brought about by China's rise, thus the US presence can substantially alleviate their anxiety and guarantee East Asian integration is based on the consents of local countries. In other words, China would embrace the US as a constructive Asia-Pacific country in East Asian integration but its identity as a destructive hegemon is unacceptable.

²³⁶ McDougall, D., 2012. "Responses to 'Rising China' in the East Asian Region: soft balancing with accommodation", *Journal of Contemporary China*, 21(73), pp.1-17; He, B., 2012. "Politics of Accommodation of the Rise of China: the case of Australia", *Journal of Contemporary China*, 21(73), pp.53-70; López i Vidal, L. and Pelegrín, À., 2018. "Hedging Against China: Japanese Strategy Towards a Rising Power", *Asian Security*, 14(2), pp.193-211; Zhao, S. and Qi, X., 2016. "Hedging and geostrategic balance of East Asian countries toward China", *Journal of Contemporary China*, 25(100), pp.485-499.

²³⁷ Acharya, A., 2014. "Power shift or paradigm shift? China's rise and Asia's emerging security order", *International Studies Quarterly*, 58(1), pp.158-173.

²³⁸ Hugh White, Can the US win the new cold war with China? Not without risking a nuclear war, <https://www.scmp.com/comment/insight-opinion/united-states/article/2188648/can-us-win-new-cold-war-china-not-without>.

In conclusion, East Asian integration is the most cost-effective method for China to “reclaim” its international status in the PIO based on “East Asia-Centrism”. However, the US cannot afford to lose this productive region, given the fact that East Asia is the outpost of the US homeland, the largest buttress of “US dollar hegemony” and the linchpin of US leadership in the LIO. The persistence of “the Cold War Structure”, the pending Taiwan issue and the aborted Sino-Japan-South Korea FTA all indicate the entrenched US influence and its overall advantages in East Asia. Therefore, China takes East Asian integration as the “end” instead of the “means” to overwhelm the US in this region. So, the setbacks in East Asian integration propel China to adopt an “indirect approach” to strike a strategic balance with the US, which further evolves to become the BRI.

3.3 The Military Pressure of the US and the Forging of China's Global Power Projection Capabilities

The military is China's Achilles' heel, which hinders it from striking a strategic balance with the US. China's weaker military is taken full advantage of by the US, which not only neutralizes its economic influence but also puts its homeland security to test. Given the fact that US comprehensive national power relatively declines while its military is still peerless, the US seems to resort to military methods more frequently, thus its foreign policies alarmingly slide to militarization.²³⁹ As the primary flashpoint of Sino-US relations, the pending Taiwan issue may give rise to Sino-US military confrontation. The reunification of Taiwan is the bottom line of “the great rejuvenation of the Chinese nation”.²⁴⁰ However, before the Sino-US strategic balance is finally struck, the US will surely keep exploiting Taiwan's value as a method to contain China. For instance, since

²³⁹ Adams, Gordon, and Shoon Murray, eds. *Mission creep: the militarization of US foreign policy?* Georgetown University Press, 2014; Patrick Lawrence, *The Militarization of Diplomacy and Other Corruptions of US Empire*, <https://www.thenation.com/article/the-militarization-of-diplomacy-and-other-corruptions-of-us-empire/>; Franz-Stefan Gady, *The Perils of a Militarized Diplomacy*, <https://www.theatlantic.com/international/archive/2012/01/the-perils-of-a-militarized-diplomacy/252107/>.

²⁴⁰ Taiwan Affair Office of the State Council PRC: the reunification of China is the historical necessity for the great rejuvenation of the Chinese nation, http://www.gwytb.gov.cn/wyly/201609/t20160930_11583681.htm.

President Donald Trump assumed office, US-Taiwan military ties have been further boosted. The “Taiwan Relations Act” and “Six Assurances” are reaffirmed in the National Defense Authorization Act for Fiscal Year 2019, and “strengthen defense and security cooperation with Taiwan”, “support supplying Taiwan with defensive weapons”, “improve the predictability of arms sales to Taiwan” are all expressed as US “obligations” to Taiwan, which render China’s reunification more complicated.²⁴¹ China’s uncompromising will of reunification collides with the US intention of playing the Taiwan card to contain China, thus exacerbating the precarious deadlock in East Asia.

The thorny Taiwan issue is an epitome of the worsening Sino-US relations. Either in Graham Allison’s Thucydides Trap or in John Mearsheimer’s offensive realism, Sino-US confrontation is largely unavoidable, determined by the international structure and China’s size.²⁴² The only question is whether the confrontation will break out in the form of war. In effect, the Sino-US trade war is the most moderate form of the showdown. With the progress of China’s power and the consequent expansion of interests, the “China threat theory” is replenished by some judgements such as “the greatest threat to US”, “replace US as world superpower”, “the broadest, most challenging, most significant threat to the US”, “waging a quiet kind of cold war against US”.²⁴³ Therefore, it is foreseeable that the form of Sino-US showdown will escalate with the worsening of Sino-US relations.

²⁴¹ Tracking the United States Congress, H.R. 5515: John S. McCain National Defense Authorization Act for Fiscal Year 2019, <https://www.govtrack.us/congress/bills/115/hr5515> Section 1243. SENSE OF SENATE ON TAIWAN, <https://www.gpo.gov/fdsys/pkg/BILLS-115hr5515pap/pdf/BILLS-115hr5515pap.pdf>, pp.608-609; For further read about “Six Assurances”, please see Congress.gov, H.Con.Res.88 - Reaffirming the Taiwan Relations Act and the Six Assurances as cornerstones of United States-Taiwan relations, <https://www.congress.gov/bill/114th-congress/house-concurrent-resolution/88/text>.

²⁴² For further read about the “Thucydides’s Trap”, please see Allison, Graham. *Destined for war: can America and China escape Thucydides’s trap?* Houghton Mifflin Harcourt, 2017; Allison, Graham. “The Thucydides Trap: Are the US and China headed for war?”, *The Atlantic*, 24 (2015); Brzezinski, Zbigniew. “Can China Avoid the Thucydides Trap?”, *New Perspectives Quarterly*, 31.2 (2014): 31-33.

²⁴³ CNN, Top US general: China will be greatest threat to US by 2025, <https://edition.cnn.com/2017/09/26/politics/dunford-us-china-greatest-threat/index.html>; CNN, CIA official: China wants to replace US as world superpower, <https://edition.cnn.com/2018/07/20/politics/china-cold-war-us-superpower-influence/index.html>; Business Insider, FBI director calls China ‘the broadest, most significant’ threat to the US and says its espionage is active in all 50 states, <http://uk.businessinsider.com/fbi-director-says-china-is-the-broadest-most-significant-threat-to-the-us-2018-7?r=US&IR=T>; CNBC, China is waging a ‘quiet kind of cold war’ against US, top CIA expert says, <https://www.cnbc.com/2018/07/21/us-china-trade-china-is-waging-a-quiet-kind-of-cold-war-against-us.html>;

Reflected in economic and social terms, an alarming trend is that a kind of Sino-phobic McCarthyism is fermenting in the US, which is toxic for Sino-US mutual trust.²⁴⁴ In some extreme cases, a “clash of civilizations” with race factor was implicated, such as the US State Department officials argument that “the cold war was a fight within the Western family... it’s the first time that we will have a great power competitor that is not Caucasian”, which indicates some kind of irrationality and sensitiveness of the US.²⁴⁵ Ranging from scientists such as Xi Xiaoxing to businessmen such as Meng Wanzhou, a number of Chinese elites have fallen prey to such a radical mentality and been trapped in the struggles between great powers.²⁴⁶ While reflected in military terms, it is more prominent that the US tends to perceive China as the primary target. Officially speaking, according to the US National Security Strategy, National Defense Strategy and the reports submitted by the National Defense Strategy Commission to Congress, major-power competition, instead of counter-terrorism, has been defined as the primary task of the US Armed Forces. Since the US military advantage “has eroded to a dangerous degree”, it has to sharpen its competitive edge to meet the “aggressively modernizing” People’s Liberation Army (PLA) of China. China’s growing military strength has definitely been identified as a critical and impending threat to the US.²⁴⁷ According to some influential think tanks such as RAND, China intends to “defeat, not merely compete” with the US military. Its appraisals have gone all the way down to the

²⁴⁴ Kevin Rudd, How to Avoid an Avoidable War: Ten Questions About the New US China Strategy, <https://www.foreignaffairs.com/articles/china/2018-10-22/how-avoid-avoidable-war>; Mark Valencia, The Increasingly Toxic Political Climate for American Analysts of US-China Relations, <https://thediplomat.com/2019/01/the-increasingly-toxic-political-climate-for-american-analysts-of-us-china-relations/>.

²⁴⁵ Newsweek, State Department Official on China Threat: FOR First time US has ‘Great Power Competitor That is not Caucasian’, <https://www.newsweek.com/china-threat-state-department-race-caucasian-1413202>.

²⁴⁶ The New York Times, Former Espionage Suspect Sues, Accusing F.B.I. of Falsifying Evidence, <https://www.nytimes.com/2017/05/10/us/politics/fbi-xi-xiaoxing.html>; Reuters, Top Huawei executive arrested on US request, clouding China trade truce, <https://www.reuters.com/article/us-usa-china-huawei/top-huawei-executive-arrested-on-us-request-clouding-china-trade-truce-idUSKBN1O42S1>.

²⁴⁷ Whitehouse.gov, 2017 National Security Strategy, <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>; US Department of Defense, 2018 National Defense Strategy, <https://dod.defense.gov/Portals/1/Documents/pubs/2018-National-Defense-Strategy-Summary.pdf>; US Institute of Peace, The Assessment and Recommendations of the National Defense Strategy Commission, <https://www.usip.org/sites/default/files/2018-11/providing-for-the-common-defense.pdf>; House Armed Service Committee, Acting Secretary of Defense Patrick Shanahan House Armed Services Committee Written Statement for the Record, <https://armedservices.house.gov/cache/files/5/f/5fc93125-5cbc-4f1f-b630-9aba61a01a69/C4273A8E7D721F62BAA72B57D811880D.2019-03-26---shanahan-hasc-written-testimony---final.pdf>.

operational level: China may prevail in a first battle.²⁴⁸ Therefore, it has been a palpable threat to China that the US is wielding its overwhelming military tool to target China.

This forming consensus in the US policy-making circle heralds the mounting pressure on China, especially in military terms. In this regard, in the PLA's threat-based strategic guidelines, the US is prioritized as the primary threat and the modernization of PLA is to counter US military pressure.²⁴⁹ Due to the inferior geopolitical position and the weaker power projection capabilities, in the foreseeable future, China can hardly retaliate against the US, let alone challenge US military dominance worldwide. As a result, China is compelled to adopt a defensive strategy to develop its military, seeking to build up credible deterrence to keep the US from crossing the red line. It's true that PLA's generals Xiong Guangkai and Zhu Chenghu had threatened to resort to nuclear weapons against the US when it attacked China's homeland and military platforms, however, such "nuclear intimidation" showed more despair than aggressiveness given the era. As Zhu argued, that was because China could hardly prevail in a traditional war and had no other means to protect itself from invasion. In other words, in the late 1990s and the early 2000s, China could hardly build credible deterrence, thus China had to "bluff" for defense.

US forward deployment enables it to choose from a wide of options besides nuclear to place China's productive eastern coastal provinces under threat. To the mobile striking force, according to the Fleet Response Plan, the US is able to deploy six aircraft carriers within 30 days and another two in 90 days.²⁵⁰ During the Gulf War and the Iraq War, six carriers were engaged in the military operations while in a drill in November 2017 with Japan and South Korea, the US deployed three carriers in the Western Pacific to

²⁴⁸ RAND, Defeat, Not Merely Compete: China's View of Its Military Aerospace Goals and Requirements in Relation to the United States, https://www.rand.org/pubs/research_reports/RR2588.html; RAND, China's Military Has No Combat Experience: Does It Matter?, <https://www.rand.org/blog/2018/11/chinas-military-has-no-combat-experience-does-it-matter.html>.

²⁴⁹ Cooper, C.A., 2018. PLA Military Modernization: Drivers, Force Restructuring, and Implications. RAND.

²⁵⁰ Global Security, Fleet Response Plan, <https://www.globalsecurity.org/military/ops/frp.htm>.

demonstrate its formidable military deterrence.²⁵¹ Compared with US strategic freedom, China holds a few cards to play. Although the most productive regions of China are within the range of multiple menaces from the US, China's military is unable to uphold a defense line or fight back effectively. China's military can hardly strike the objectives beyond the second island chain, let alone the US homeland. Driven by these dilemmas, China seems to "seek peace through strength" in an American way.

For the purpose of preventing US interference in the Taiwan issue, China is set to develop a reliable Anti-Access/Area Denial (A2/AD) capability.²⁵² Moreover, as China must minimize the side effects of reunification, an overwhelming amphibious force to reach battle targets as quickly as possible is necessary. Furthermore, given the vastness of the Western Pacific theatre, China desperately needs long-range power projection capabilities, including strategic air force, blue water navy and nuclear-powered submarines to deter US military in the island chains. Intriguingly, with the US as the opposing force, China can also apply the power projection capabilities cultivated for reunification and deterrence in the Western Pacific to the Indian Ocean and the entire BRI. Therefore, in a sense, it is US military pressure on China's homeland security that impels China to develop a global military force, which will in turn undermine US dominance worldwide in a perverse way.

3.3.1 China's Amphibious Power and Diplomatic Tools

Reunifying Taiwan constitutes the primary task and responsibility for the PLA. The

²⁵¹ Council on Foreign Relations, Iraq: US deployment at the War's height, <https://www.cfr.org/background/iraq-us-deployments-wars-height>; CNN, North Korea: 3 US aircraft carriers creating worst ever situation, <https://edition.cnn.com/2017/11/12/politics/us-navy-three-carrier-exercise-pacific/index.html>.

²⁵² For further read about the Anti Access/Area Denial, and its application in the possible Sino-US conflict, please see Heginbotham, E., 2015. *The US-China military scorecard: Forces, geography, and the evolving balance of power, 1996–2017*. Rand Corporation; McCarthy, C.J. and Force, U.A., 2010. *Anti-access/area denial: The evolution of modern warfare*; Tangredi, S., 2013. *Anti-Access Warfare: Countering Anti-Access and Area-Denial Strategies*. Naval Institute Press; Biddle, S. and Oelrich, I., 2016. "Future warfare in the Western Pacific: Chinese Antiaccess/Area Denial, US Air Sea battle, and command of the commons in East Asia", *International Security*, 41(1), pp.7-48.

particular battle and political background requires the Mainland to force Taiwan to surrender as quickly as possible and suffer as few casualties as possible, in order to curtail the time window for external forces to interfere and minimize adverse aftermaths. In this regard, it is essential for the Mainland to build up a fully-fledged amphibious fleet to project power to the shores of Taiwan and win a landslide victory. More importantly, both the US and Taiwan should be convinced that the Mainland has this capability, even from tabletop exercises.

Presently speaking, the demands of the People's Liberation Army Navy (PLAN) landing force are tonnage enlargement and airborne capability enhancement. Until 2018, there are 4 Type 071 Amphibious Transport Dock (also known as Landing Platform/Dock, LPD) in service and the sixth has been launched.²⁵³ In the meantime, China also pushes forward the construction of Type 075 Amphibious Assault Ship (also known as Landing Helicopter Assault, LHA), and it is reported to enter service by 2020, which will complement the long-absent airborne strike and transport capabilities of the PLAN amphibious fleets.²⁵⁴ Equipped with three-dimensional projecting and striking capabilities provided by the combination of Type 075 LHA and Type 071 LPD, the PLAN is able to launch amphibious battle more unpredictably, thus enhancing its deterrence.

Furthermore, LPD and LHA are ideal diplomatic tools and share a wide range of similarities with "colonial gunboats". They are less offensive than the Carrier Strike Group (CSG). Their cheaper cost and larger number enhance deployment flexibility and persistence. Take the composition of the Expeditionary Strike Group (ESG) of the US Navy for example, its core is composed of one LHA or Landing Helicopter

²⁵³ Jane's 360, Chinese navy's amphibious capabilities continue to grow, <http://www.janes.com/article/77247/chinese-navy-s-amphibious-capabilities-continue-to-grow>.

²⁵⁴ Dave Majumdar, China's New Amphibious Assault Ship: A Big Waste of Time?, <http://nationalinterest.org/blog/the-buzz/chinas-new-amphibious-assault-ship-big-waste-time-19961>; South China Morning Post, China building navy's biggest amphibious assault vessel, sources say, <http://www.scmp.com/news/china/diplomacy-defence/article/2083109/china-building-navys-biggest-amphibious-assault-vessel>.

Dock (LHD), one Dock Landing Ship (LSD) and one LPD.²⁵⁵ This configuration is powerful enough for most battlefields, including the conflicts with middle and small countries, terrorist organizations and insurgents. In addition, with the service of the F-35B and MV-22, the capability of the ESG is considerably strengthened. To the F-35B, its Short Take-Off and Vertical-Landing (STVOL) capability substantially enhances the air combat capability of the ESG while its stealth capability creates a generation gap with other air forces. With respect to the MV-22, its more extended range, faster speed, and heavier load enable the ESG to launch assault operations more flexibly. Moreover, thanks to the V-22 Aerial Refueling System (VARs), the modified MV-22 can refuel the F-35B to extend its range and endurance significantly, thus enriching its tactical choices.²⁵⁶

Benchmarking to the US Navy, China is reported to develop its own F-35B and MV-22.²⁵⁷ Furthermore, a larger number of CSGs or ESGs enabling a forward presence across hotspot regions can strengthen diplomacy. The case of the US Navy, which establishes 9 ESGs in addition to 10 CSGs, is an explicit illustration to show how to deploy ESGs in relatively peaceful regions to maintain maritime dominance globally.²⁵⁸ Therefore, taking a long view, the PLAN's ESG built for reunification may turn out to be a diplomatic asset for the BRI, sheltering China's increasing overseas interests under their wings.

²⁵⁵ The US Navy, The Expeditionary Strike Group, <http://www.navy.mil/navydata/news/.www/esg.html>.

²⁵⁶ Jane's 360, USMC prepares for F-35B maiden operational embarkation, <http://www.janes.com/article/78340/usmc-prepares-for-f-35b-maiden-operational-embarkation>; Kris Osborn, Why America's Marines are Turning Their MV-22 Ospreys Into Assault Gunships, <http://nationalinterest.org/blog/the-buzz/why-americas-marines-are-turning-their-mv-22-ospreys-assault-18827?page=show>.

²⁵⁷ Lyle J. Goldstein, Look Out, America: China Wants Its Own Vertical Takeoff Jets, <http://nationalinterest.org/feature/look-out-america-china-wants-its-own-vertical-takeoff-jets-15220?page=show>; China Daily, AVIC developing ultrafast tilt-rotor aircraft, http://www.chinadaily.com.cn/china/2016-12/21/content_27728950.htm.

²⁵⁸ To follow the track of US fleets, please read USNI News, USNI News Fleet and Marine Tracker, <https://news.usni.org/category/fleet-tracker>.

3.3.2 China's Strategic Strike and Retaliation against the Island Chains

Due to the adverse geopolitical surroundings, China is within the strike range of multiple methods of the US while its retaliation means against the US bases in East Asia are limited, let alone the US homeland. Hence, China is driven to develop credible methods to paralyze and even destroy all the US military presence within the Second Island Chain, with Guam as the pivot, in order to neutralize this asymmetry and establish a Sino-US regional strategic balance. By 2019, China inducted a wide range of Intermediate Range Ballistic Missiles (IRBM), for instance, DF-26 is dubbed as "Guam Killer", DF-21C as "Carrier Killer", and DF-17 hypersonic glide vehicle (HGV) which is reported to penetrate US missile shields and annihilate US bases in the Western Pacific. However, regardless of accuracy, merely the cost has made IRBM too expensive to be widely employed.²⁵⁹

From the offensive perspective, besides IRBM as rapid reaction fire, stealth strategic bombers and nuclear-powered attack submarines are two pillars of strategic retaliation, which can project dense fire in an affordable way. According to the available open sources due to the extreme confidentiality of nuclear-powered submarines, China's newly-recruited Type 093B nuclear-powered attack submarine can be on a par with the US improved Los Angeles-Class Nuclear-Powered Fast Attack Submarine (SSN). The PLAN's breakthrough in some crucial aspects may also encroach on US technological edge critically in the underwater realm. For instance, electrically-powered pump-jet propulsors can substantially dim acoustic signatures and are reported to be applied in the forthcoming Type 095 nuclear-powered attack submarine.²⁶⁰

²⁵⁹ U.S.-China Economic and Security Review Commission, China's Offensive Missile Force, https://www.uscc.gov/sites/default/files/Annual_Report/Chapters/Chapter%202%2C%20Section%203%20-%20China%27s%20Offensive%20Missile%20Forces.pdf; Franz-Stefan Gady, Can China's Ballistic Missiles Hit Guam?, <https://thediplomat.com/2016/05/can-chinas-ballistic-missiles-hit-guam/>; Andrew S. Erickson, Showtime: China Reveals Two 'Carrier-Killer' Missiles, <http://nationalinterest.org/feature/showtime-china-reveals-two-carrier-killer-missiles-13769>.

²⁶⁰ Dave Majumdar, Does China Have a Nuclear Submarine That Could Beat the US Navy?, <http://nationalinterest.org/blog/the-buzz/does-china-have-nuclear-submarine-could-beat-the-us-navy-19421?page=show>; Dave Majumdar, Did China Just Create the "Holy Grail" Of Submarine Technologies?, <http://nationalinterest.org/blog/the-buzz/did-china-just-create-the-holy-grail-submarine-technologies-21436>.

China is also making great efforts to upgrade the People's Liberation Army Air Force (PLAAF) to an advanced strategic offensive air force. As the backbone of an offensive air force, the long-range strategic bomber is the priority among priorities. China has upgraded the serving H-6 bomber to H-6K, which has a longer range and heavier load to launch a cruise missile onslaught on the US bases within the Second Island Chain.²⁶¹ In addition, China is building a stealthy strategic striking capacity. The J-20 stealth fighter has been commissioned while the next-generation stealthy strategic bomber, known as the B-20, is under development as well.²⁶² With a long-range capacity (over 5000 km range and 2000 km combat radius, 2.5 times of the F-22), the J-20 is designed for the vast geographical background of the Western Pacific.²⁶³ The considerable endurance enables J-20 to become China's Assassin's mace to destroy the critical early warning, information and control and air defense nodes of the US military system, through which to pave the road for the latter attacking echelons. B-20 can sneak through US defense lines to destroy more high-value targets with less cost. In terms of maneuvers, the PLAAF gradually normalizes drills across the First Island Chain through the Bashi Channel and the Miyako Strait, so as to familiarize itself with the pre-determined warfare positions in advance.²⁶⁴

3.3.3 China's Blue-Water Fleet as a Defensive Umbrella

Given the large geographical scale of the Western Pacific, a forward-deployed blue water fleet is indispensable to the homeland security of China. For taking the initiative

²⁶¹ Sebastien Roblin, China's H-6 Bomber: Everything You Want to Know about Beijing's 'B-52' Circling Taiwan, <http://nationalinterest.org/blog/the-buzz/chinas-h-6-bomber-everything-you-want-know-about-beijings-b-18772?page=show>.

²⁶² Ministry of National Defense of the PRC, China's J-20 stealth jet put into air force combat service, http://eng.mod.gov.cn/news/2018-02/09/content_4804559.htm; China Daily, PLA Air Force commander confirms new strategic bomber, http://www.chinadaily.com.cn/china/2016-09/02/content_26683883.htm.

²⁶³ Sina, J-20 may have over 4500 km range, <http://mil.news.sina.com.cn/jssd/2018-04-19/doc-ifzihnep8751671.shtml>; Cankao Xiaoxi, Russia media says J-20 is better than the US fourth-generation jet, <http://www.cankaoxiaoxi.com/mil/20161103/1395668.shtml>; Cankao Xiaoxi, The range of J-20 is able to cover entire Japan, <http://www.cankaoxiaoxi.com/mil/20161113/1423469.shtml>.

²⁶⁴ China Daily, Chinese warcraft fly over Bashi Channel, Miyako Strait in drill, http://www.chinadaily.com.cn/china/2016-11/27/content_27495599.htm; Global Times, PLA Air Force jets train over Bashi, Miyako Straits, <http://www.globaltimes.cn/content/1079861.shtml>.

and pushing forward the battlefield as far as possible from the homeland, China is driven to develop an ocean-going fleet that is capable of implementing offensive operations. From the defensive view, the forward-deployed CSGs would function as an anti-aircraft and anti-submarine umbrella to the east of Taiwan island and over 1000 km eastward of the Mainland, which would neutralize most cruise missile offensives launched by US airborne and submarine platforms. In addition, the enlarged probe scope of the forward-deployed CSGs can also forestall US onslaught in the organizing process, and the maneuvers of the PLAN's CSGs can also compress the activity sphere of their US counterparts. With the hunt-kill of front-patrol CSGs, China's homeland defense can be achieved in an offensive manner and the defense line can be pushed forward as far as 1000 km. Therefore, the prototype of China's CSG, the aircraft carrier Liaoning led its battle group through the Miyako Strait in December 2016 for the first time, and the frequency of passing through this waterway is mounting at a considerable rate.²⁶⁵

For developing a well-functioned CSG to enhance the A2/AD capability, China accelerates its naval expansion, especially the building speed of aircraft carriers and large destroyers, the backbone of the blue water navy. The development of China's aircraft carriers is faster than anticipated. Since the Type 001 Liaoning was inducted into service in September 2012, it unrelentingly underwent high-frequency operations to explore how an aircraft carrier can be used in contemporary naval warfare. In April 2017, China's first home-built Type 001A was launched,²⁶⁶ and its successor, the conventional-powered Type 002 features 80000-100000 tonnage displacement and the Catapult-Assisted Take-Off But Arrested Recovery (CATOBAR) system was reported to have started construction in 2017.²⁶⁷ Following them, the China Shipbuilding

²⁶⁵ Xinhua Net, China's aircraft carrier battle group penetrate the first island china through the Miyako Strait, http://www.xinhuanet.com/world/2016-12/26/c_1120185967.htm; Ankit Panda, Chinese Defense Ministry to Japan: 'Get Used To' PLAAF Operations Through the Miyako Strait, <https://thediplomat.com/2017/07/chinese-defense-ministry-to-japan-get-used-to-plaaf-operations-through-the-miyako-strait/>; Steven Stashwick, Japan Considering New Anti-Ship Missiles for its Southwestern Islands, <https://thediplomat.com/2018/03/japan-considering-new-anti-ship-missiles-for-its-southwestern-islands/>.

²⁶⁶ CSIS China Power, What do we know (so far) about China's second aircraft carrier?, <https://chinapower.csis.org/china-aircraft-carrier-type-001a/>.

²⁶⁷ South China Morning Post, China has started building its third aircraft carrier, military sources say,

Industry Corporation publicly stated it had striven to expedite technological breakthroughs in building nuclear-powered aircraft carrier and the authoritative Chinese mouthpiece had declared that China had the technological preparations to build a nuclear-powered aircraft carrier. The cutting-edge Electro-Magnetic Aircraft Launch System may also be applied in the new nuclear-powered aircraft carrier.²⁶⁸ In a “Xiaobu Kuaipao” (小步快跑 literally run in half step) manner, China targets the US Gerald Ford-class aircraft carrier as the major adversary, planning to make its CSGs capable of confronting US counterparts in the A2/AD tasks.

As the core defensive force in a CSG, the commission of a larger destroyer is the PLAN's priority. As a 12,000-tonnage displacement Guided-Missile Destroyer, the counterpart to the US Zumwalt-class destroyer and the Arleigh Burke-class destroyer Flight IIA and III, the Type 055 is the largest and the most advanced surface combatant platform besides aircraft carrier China has ever built to date. Moreover, the unprecedented construction speed partly reveals the PLAN's urgent demand for such a high-performance platform. Four vessels have already been built in the first batch and the total building plan is for at least eight. They are constructed simultaneously in Shanghai and Dalian, two shipbuilding hubs in Southern and Northern China. Since the launch of the first vessel in June 2017, China has launched four Type 055 in one year, and the third and fourth were launched on the same day, setting a new record after the Cold War.²⁶⁹

<http://www.scmp.com/news/china/diplomacy-defence/article/2126883/china-has-started-building-its-third-aircraft-carrier>.

²⁶⁸ Global Times, China confirms its development in nuclear-powered aircraft carrier, <https://m.huanqiu.com/r/MV8wXzExNjMyMDMxXzIyXzE1MTk4NjE1NjA>; Global Times, Ma Weiming: China's integrated electric propulsion technology precedes the US's one for one generation, <http://mil.huanqiu.com/china/2017-03/10312369.html>; Guancha.cn, Ma Weiming: Electromagnetic launch technology will supersede chemical energy in 10 years, https://www.guancha.cn/TMT/2017_01_27_391630_s.shtml.

²⁶⁹ Jane's 360, Construction of China's Type 055 destroyers forges ahead, <http://www.janes.com/article/69826/construction-of-china-s-type-055-destroyers-forges-ahead>; Jane's 360, China launches largest surface combatant to date, <http://www.janes.com/article/71903/china-launches-largest-surface-combatant-to-date>; Jane's 360, China begins work on sixth Type 055 destroyer, <http://www.janes.com/article/78570/china-beings-work-on-sixth-type-055-destroyer>; Jane's 360, China launches two Type 055 destroyers simultaneously in Dalian, <https://www.janes.com/article/81499/china-launches-two-type-055-destroyers-simultaneously-in-dalian>.

3.3.4 The Improved Strategic Posture of China with Enhanced Naval Capabilities

An enhanced naval capability remarkably an ocean-going fleet, can substantially improve China's strategic situation which is constrained by the negative geographical surroundings. The South China Sea (SCS) issue is the best case to illustrate that. China has clearly earmarked the SCS as its "core interest", which is subject to no external pressure.²⁷⁰ China has also reached consensus with ASEAN on the SCS issues by jointly introducing the Single Draft South China Sea Code of Conduct Negotiating Text, which expressed their overlapping claims and served as a "milestone" for future negotiations.²⁷¹ In this way, regionally speaking, the SCS tension has largely been mitigated. However, the expansion of China's interests collides with the established regional order, thus the US has conducted a series of cruises asserting "freedom of navigation" to challenge China's consolidating control in the SCS. Against such backdrop, an ocean-going fleet is crucial to fending off US provocations and stringing the separate islands together as an integrated network for defensive purposes.

From an offensive perspective, China seems to build up an "island chain system" as the barrier in front of its homeland, which is composed of the island fortresses in Nansha/Spratly Islands, Hainan island and Taiwan island, playing the roles of Guam and Hawaii to the US. Moreover, Meijijiao/ Mischief Reef (total area of reclamation, 5.8 km²), Yongshujiao/ Fiery Cross Reef (2.7 km²) and Zhubijiao/Subi Reef (3.9 km²) in Nansha/Spratly Islands can become China's "Pearl Harbor" and "Diego Garcia" (27.2 km²).²⁷² Located in the center of the SCS, 1000 km south of Hainan island and 1400km south

²⁷⁰ Xinhua Net, Violations to China's core interests cannot be tolerated, http://www.xinhuanet.com/world/2015-05/25/c_1115401978.htm; The New York Times, Security Law Suggests a Broadening of China's Core Interests, https://www.nytimes.com/2015/07/03/world/asia/security-law-suggests-a-broadening-of-chinas-core-interests.html?_ga=2.15589553.664491747.1520814599-1719306292.1516212750.

²⁷¹ Reuters, ASEAN, China agree 'milestone' text as basis for South China Sea talks, <https://www.reuters.com/article/us-asean-singapore-southchinasea/asean-china-agree-milestone-text-as-basis-for-south-china-sea-talks-idUSKBN1KN14V>; Nikkei Asian Review, ASEAN and China create 'single draft' for South China Sea code of conduct, <https://asia.nikkei.com/Politics/International-Relations/ASEAN-and-China-create-single-draft-for-South-China-Sea-code-of-conduct>.

²⁷² Asia Maritime Transparency Initiative, China Island Tracker, <https://amti.csis.org/island-tracker/china/>.

of Chinese homeland, these island fortresses shorten the distance from the Chinese homeland to the Strait of Malacca (1400 km) by half, and place ASEAN capitals within 1500 km radius (Singapore, Kuala Lumpur of Malaysia, Bangkok of Thailand, Manila of Philippines and Phnom Penh of Cambodia), and 700 km from Ho Chi Minh City of Vietnam and 1900 km from Jakarta of Indonesia.²⁷³

Therefore, in a “defensive for offensive” way, China seems to undermine US absolute command of the sea. Due to the inferior geographical location, the PLAN will be easily driven away from convoying China’s worldwide trade flows along global trade arteries without an ocean-going fleet. Through building up the presence in the pivotal Strait of Malacca-SCS waterway, China can embed its interests into the global maritime transport. Based on the island fortresses and the ocean-going fleets, China’s maritime presence may be extended to the Northern Indian Ocean, through which to undermine US absolute control of the pivotal Northern Indian Ocean-Strait of Malacca-South China Sea-Western Pacific waterway for global trade. Accordingly, China’s power projection capability is likely to be commensurate with its economic reach as “the center of trade”, striking a defensive maritime strategic balance with the US.

3.4 Conclusion

In conclusion, while Sino-US competition represents the clash between the reviving PIO and the waning LIO, the confrontation in the Western Pacific and East Asia can be viewed as the epitome and frontline of such competition. The US is reluctant to transfer power and rights to China in exchange for its support for the US-led LIO, while China declines to support the LIO without such transfer, but rather seeking to restore the UN-led PIO to facilitate the expansion of its interests. Moreover, the Sino-US contradiction is basically a structural one and the US is bound to try to contain China, because China’s size is too big to be accommodated by the US-led LIO and China’s rise seems to cause

²⁷³ Statistics are from “Measure Distance” function of Google Map.

the relative decline of the US in material and normative terms. To a large extent, the US policy-making circle has reached such a consensus in terms of economy, technology, military and geopolitics. For these reasons, this thesis contends that the US should be identified as the largest external pressure on China's grand strategy making. From the Chinese perspective, it is the US containment and the persistent Cold War structure in East Asia that thwarts its ambition to integrate East Asia and compels it to "march west", which has further evolved to become the BRI. The increasingly militarized US diplomacy also prompts China to increase investment in the military, seeking to strike a defensive strategic balance with the US in the Western Pacific through "peace through strength".

Therefore, regarding US strategic pressure regionally and globally, de-Americanization becomes more prominent in China's grand strategy making, in line with its persistent appeal of "countering hegemony" (反霸), a more appealing and less confrontational term than anti-Americanism. In this way, economically speaking, the BRI indicates that China seeks to expand its economic reach and reshape its economic autonomy. That is to say, China is disposed to rely on its own market and production, instead of Western ones, to build up a China-centric global production and consumption network. Based on such an economic foundation, the BRI seems to become a tool to undermine the US-led LIO and build up China's leadership in the PIO. Accordingly, the UN Charter-based rules and norms, rather than the West's recognitions and the neoliberal creeds in the LIO, will be the legitimate source for China to justify its interests and influence expansion across the world.

Chapter Four: Better Connectivity and Broader Market: A

China-Centered Eurasian Connectivity and Integration

Given China's aspiration to become "the center of trade", in the first place, the BRI is an initiative to strengthen China's connectivity with overseas markets, which points to lowering the existing trade barriers and cultivating a broader single market with better connectivity in terms of geography, technology and policy. In terms of geo-economics, China attempts to turn its landlocked western regions into the "geographical center" of Eurasia linked up directly with overseas markets. Specifically, through connecting with the European end market via the China Railway Express, with the Indian Ocean through the China-Pakistan Economic Corridor and the China-Myanmar Economic Corridor, China's peripheral western regions can become the frontline for opening-up, achieving a more balanced domestic development level in China. The pathways to the Indian Ocean will also catapult China to be a "two oceans country" in effect, which borders not only on the Pacific Ocean but also on the Indian Ocean. Technologically speaking, in the foreseeable future, the groundbreaking evolutions in the logistics industry seem to substantially facilitate China to trade with overseas markets with lower cost and sharper timeliness. As a supporting mechanism, the Electronic World Trade Platform, i.e., the "superstructure" echoing the epochal breakthroughs in the "economic base" of logistics, is likely to advance global trade to a greater extent. Therefore, regarding these aspects, the BRI should not be taken as an imprudent initiative pushed forward by the government unilaterally, but instead, the concerted efforts of both the government and enterprises of China to adapt to the imminent technological revolutions. It demonstrates China's ambition to be "the center of trade" with "better connectivity" in the BRI.²⁷⁴

²⁷⁴ In the Chinese official discourse, it is itemized as "five connectivity" (五通), i.e., policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bond.

4.1 The China Railway Express and the Tightening Cross-Eurasian Connectivity

In the classical meaning of Halford Mackinder, the revival of land power relies on the broad expanse of a railway network, which can considerably enhance the mobility of military and economic power.²⁷⁵ In this sense, the success of the SREB hinges on the expansive coverage and smooth operation of a trans-Eurasian railway system. In the BRI context, the railway connecting China with Europe and other Eurasian cities overland is known as the China Railway Express (CR express). Given the fact that the historical decline of Inner Asia is primarily due to the shift of global trade arteries, the return of passengers and freight traffic is supposed to bring about the revival of the traditional overland silk road, which is the original target of the SREB. Despite the fact that the load capacity of the train is far lower than that of the ship, the CR express has unique advantages in timeliness and flexibility for given cargoes and regions, especially in the e-commerce era. Therefore, the expanding CR express stands to boost the trans-Eurasian connectivity and reshape the Eurasian economic dynamics.

From the perspective of China, the CR express contributes to it becoming “the center of trade” in terms of economic geography. Thanks to the presumed game-changing effect the CR express may bring about, the landlocked West is expected to win a chance to get direct access to overseas markets. Also, China extends its railway system southward to link up ASEAN with Europe via Western China, thus combining the CR express with the “Southward Passage” (南向通道) as a unified transport network covering the entire Eurasian landmass. Therefore, the CR express becomes the incarnation of a well-known Chinese motto of economic development, “better roads lead to the better life” (要想富,先修路), laying down the foundation of enhanced trans-Eurasian connectivity and the westbound opening-up of China.

²⁷⁵ Mackinder, H.J., 1904. *The geographical pivot of history*. Royal Geographical Society.

Since being launched in 2011, the train services of the CR express increased exponentially from 17 in 2011 to 1702 in 2016, 3673 in 2017 and 6363 in 2018. By August 2019, train services have reached 5266, of which 2845 were outbound with a 99% load rate and 2421 were inbound with an 85% load rate, largely solving the long-lamented problems of a low load rate and an imbalanced outbound-inbound ratio.²⁷⁶ Regarding the geographical distribution of the CR express, it is noteworthy that the number of Chengdu, Chongqing, Xi'an, Zhengzhou and Wuhan were 1591, 1442, 1235, 752 and 417 respectively, accounting for 85% of the total in 2018. To the southwestern twin stars, Chengdu and Chongqing, their sum made up almost 50% while for the western triangle, Chengdu, Chongqing and Xi'an, their sum took up nearly 70%.²⁷⁷ Given the fact that the central and west area only contributes 17.5% of China's total exports, the 85% proportion they take of the CR express traffic underscores the significance of this railway network to these regions.²⁷⁸ In the first half of 2019, concerning Chengdu in the west, the foreign trade of Sichuan (Chengdu is the capital of Sichuan) through the CR express has taken up 32% of its trade with the EU and 5.6% of its total trade; while to Zhengzhou in the central area, these two numbers (provincial level) have reached 66% and 7.6% respectively.²⁷⁹ As expected, the west and central regions turn out to benefit most from the enhanced westward connectivity, exhibited by the 21.9% overall growth rate and the 44.6% EU-oriented growth rate of Sichuan's foreign trade in the first half of 2019. As an official from Chengdu suggests, viewed from the world night lights map, the dark region between Moscow and Chengdu constitutes a vast "Eurasian landmass sea", thus the CR express is like a ship that connects both coasts. Located in the "east coast", Chengdu serves as the largest port and an opening-up gateway.²⁸⁰

²⁷⁶ China Daily, The quality of the CR express is further promoted, <http://cn.chinadaily.com.cn/a/201909/12/WS5d79acf6a31099ab995df878.html>.

²⁷⁷ Yicai, The CR express develops exponentially, <https://www.yicai.com/news/100102934.html>.

²⁷⁸ Ministry of Commerce of the PRC, China's foreign trade from January to August, 2019, <http://www.mofcom.gov.cn/article/ae/sjld/201909/20190902898567.shtml>.

²⁷⁹ Xinhua Net, Chengdu's foreign trade in the first half of 2019, http://m.xinhuanet.com/sc/2019-07/17/c_1124763815.htm; Xinhua Net, The CR express (Zhengzhou)'s performance in 2018, http://m.xinhuanet.com/ha/2019-01/04/c_1123945401.htm; China News, Chengdu's foreign trade in the first half of 2019, <https://www.chinanews.com/cj/2019/07-16/8896522.shtml>; China News, The CR express (Zhengzhou)'s performance in the first half of 2019, <https://www.chinanews.com/cj/2019/07-10/8890472.shtml>.

²⁸⁰ Xinhua Net, Chengdu: From a Western basin to the opening-up highland,

In addition to bridging the gap of westward connectivity, the “Southward Passage” is introduced to connect Western China with ASEAN, which places Western China in the center of an enlarged traffic network. In August 2019, China released the “Overall Plan about the New Western Land-Sea Corridor” which formally integrated the CR express, Southward Passage (Western Land-Sea Trade Link) and the Yangtze River economic belt into a unified logistics framework, thus further enlarging the traffic network for the landlocked West.²⁸¹ More importantly, in this plan, China linked the CR express and Southward Passage with the Yangtze River economic belt, which greatly elevated the significance of the first two. In this sense, based on the improved economic geography, the Western Development (西部大开发) is predicted to gather more momentum and to propel a higher balanced development level of China. As the comprehensive strength of a nation is chiefly determined by its industrialized and urbanized population, China’s advantage in population would be unleashed by a more balanced development level embracing a higher portion of its population in a deeper level of industrialization and urbanization.

Nevertheless, although the low load rate and the imbalanced outbound-inbound ratio have largely been solved, as noted by some influential Chinese journalists, the CR express cannot operate in a commercial way without subsidy.²⁸² Their suspicions are partially right in terms of accounting but miss the target in terms of strategy. Take Chengdu and Zhengzhou for instance, because the average subsidy is \$1500/ TEU, the subsidy-freight value ratio is only 3% and 2.7% respectively. Moreover, according to the regulation of the Ministry of Finance, the subsidy is planned to shrink from a maximum of 50% in 2018 to a maximum of 30% in 2020 and will be finally annulled in 2022. Furthermore, since the CR express increasingly becomes an infrastructure

http://www.xinhuanet.com/politics/2017-03/03/c_1120562791_2.htm.

²⁸¹ National Development and Reform Commission of the PRC, The Overall Plan about the New Western Land-Sea Corridor, <http://www.ndrc.gov.cn/zcfb/zcfbtz/201908/W020190815330738517950.pdf>.

²⁸² Southern Weekly, The CR express, driving through the chaos of local subsidy, <http://www.infzm.com/content/155939>; Sina, The CR express deflates “bubbles”, <https://cj.sina.com.cn/articles/view/5808591992/15a38147801900jum7>.

serving Western and Central China, in addition to its accounting cost, the positive externalities it generates should also be taken into account. The local governments can internalize the CR express's positive externalities, including the increasing exports and tax revenue, which are much higher than the subsidy of around 3%. In this regard, the CR express contributes net economic welfare to China.

Besides paving the westbound fast tracks for the central and western regions, the CR express is more significant in geo-economic and geo-political terms for China. Geo-economically speaking, for facilitating the operation of the CR express, the administrations of the countries on the route cooperate to advance a set of unified standards and simplified customs procedures ranging from quarantine to finance. These efforts are expected to cut down the hidden cost in global trade, which help build a broader single market along the CR express. Take the Chongqing rail port for instance, the import and export customs clearance time has been streamlined 73.9% and 97.28% respectively while in the Khorgas border port, the clearance time has been curtailed to 21 hours on average.²⁸³ Because China aspires to be “the center of production and trade”, China is inclined to embrace any measures to lower trade barriers and elevate market integration. Therefore, spearheaded by the CR express, China is supposed to unify the fragmented standards along Eurasia. The strategic profits gained in building up a broader single market outweigh the costs of pushing forward and subsidizing the CR express by a large margin. Geopolitically speaking, China can project power by the CR express overland, being free from US maritime dominance. For instance, the Yinchuan-Teheran express cuts through Kazakhstan and Turkmenistan to link China with Iran overland in 15 days, 20 days shorter than the maritime communication.²⁸⁴ More importantly, the trains freighting commodities in peacetime can be turned into the line of military materials in wartime, which would elevate the cost of US interference.

²⁸³ 21jingji, The half year report of the CR express in 2019, <http://www.21jingji.com/2019/8-6/4OMDEzNzlfMTUwMTU4OQ.html>.

²⁸⁴ China News, Yinchuan-Teheran line can further invigorate the BRI, <http://www.chinanews.com/cj/2018/10-10/8646562.shtml>.

To sum up, the revival of the trans-Eurasian transport and freight featured by the CR express redefines the economic geography of Central and Western China. As the infrastructure linking China with Europe and other Eurasian regions overland, the CR express benefits all these regions with enhanced connectivity and increased traffic. Additionally, the CR express integrates the markets along Eurasia to build a broader single market, which is more helpful for China to become “the center of trade”.

4.2 The Two Oceans Ambition of China: China's Indian Ocean-Oriented Opening-up and Connectivity

Geographically speaking, China's westward connectivity mainly leads in two directions, the Indian Ocean to the southwest and Europe to the west, the former is the maritime highway while the latter is the primary end market. The CR express facilitates China's westward opening-up and benefits the central and western regions. To the Indian Ocean-oriented opening-up, the China-Pakistan Economic Corridor (CPEC) and the China-Myanmar Economic Corridor (CMEC) are two major channels. To the CPEC, the cross-Karakoram highway and railway are estimated to associate the Xinjiang Autonomous Region of China with the vibrant Indian Ocean economic circle, through which to bring about prosperity and stability to Xinjiang susceptible to the “three evils”, namely, terrorism, separatism and religious extremism. To the CMEC, the Kyaukpyu-Kunming transnational railway is the backbone, which is designed to connect Kunming of Yunnan, a landlocked province in Southwestern China, with Kyaukpyu of Myanmar by the Indian Ocean coast. Thanks to the building of this railway, Myanmar is expected to become the economic west coast of China and peripheral Yunnan is likely to be upgraded to the bridgehead of the Indian Ocean-oriented opening-up. Therefore, China could be turned into a “two oceans country” with the westward pathways to the Indian Ocean, positioning itself in the center of the global logistics network.

4.2.1 The China-Pakistan Economic Corridor

The CPEC is the flagship project of the entire BRI, which is estimated to consume as much as \$62 billion to push forward modernization and nation-building in Pakistan.²⁸⁵ Geo-economically and geopolitically, Pakistan is considered to be the best gateway for China to engage in South Asian and Indian Ocean affairs. In terms of geography, Pakistan is located at the crossroad of China, India, the Middle East and Africa, the four most populated and economically vibrant areas in the world, making its geographic location the largest untapped asset. In this way, based on the large-scale infrastructure construction of the CPEC, Pakistan seems to become a pivotal channel of global trade and in the optimal condition, 4% of global trade volume might pass through the CPEC, bringing about \$6-8 billion to Pakistan annually.²⁸⁶ From the Chinese perspective, once a stable cross-Karakoram railway to link up Xinjiang with Pakistan can be built, Western China will be connected with outside markets freely with this shortcut. In this way, the CPEC can be used as a textbook example to illustrate the significance of mega projects for the economic geography of a given country.

Specifically speaking, the principal aim of the CPEC is to achieve connectivity between the landlocked provinces of China and the Indian Ocean. This ambition is composed of two parts, crossing over the daunting Karakoram and building up a complete transport network in Pakistan. Given the engineering difficulties in the trans-Karakoram railway, upgrading the Pakistani railway is the priority in the foreseeable future. The upgrade of the Pakistani railway artery, Karachi-Lahore-Peshawar (ML-1) railway, is put on the fast track, which is estimated to increase fivefold the current transport capacity. Subsequently, ML-2 and ML-3 are designed to extend Pakistan's railway system to Balochistan, where the Gwadar port is located.²⁸⁷ Given the central location of

²⁸⁵ Ahmed, Z.S., 2019. "Impact of the China-Pakistan Economic Corridor on Nation-Building in Pakistan", *Journal of Contemporary China*, 28(117), pp.400-414.

²⁸⁶ Reuters, Pakistan's 'Silk Road' repayments to peak at around \$5 billion a year: chief economist, <https://www.reuters.com/article/us-pakistan-economy-china-silkroad/pakistans-silk-road-repayments-to-peak-at-around-5-billion-a-year-chief-economist-idUSKBN1861GH>.

²⁸⁷ The Express Tribune, No company under Railways in loss: Saad Rafique, <https://tribune.com.pk/story/1565598/1-better-get-rid-pml-n-mnas-didnt-support-us-na-saad-rafique/>; Pakistan

Pakistan, its railway system serves not only its domestic demands but also the Central Asian countries which take it as the artery to get access to the Indian Ocean. Accordingly, this railway network is planned to stimulate regional economic growth and integration, forming “a trade bloc of three billion people, half of the world’s extreme poor”.²⁸⁸ Furthermore, while the Sino-Pakistan railway (from Khunjerab to Havelian, or in a broader sense, from Kashgar to Gwadar) is under feasibility study owing to the extremely complicated geological conditions, China has initiated other pilot operations to broaden the trans- Karakoram connectivity, such as the projects for enhancing the capacity of the existing Karakoram Highway.²⁸⁹ Additionally, the Havelian dry port located at the north end of the Pakistani railway network is elevated to the same status as the ML-1 project, and this port’s 450,000 TEUs designed capacity indicates its significance to the trans- Karakoram transport in the short term.²⁹⁰ While these constructions are underway, relying on the existing transport network, Chinese enterprises have conducted tentative trade in the CPEC. For instance, a transport fleet dispatched from Kashgar in southern Xinjiang to Gwadar with dozens of containers to the Middle East and Africa has demonstrated that the CPEC could be put into operation for small-scale business.²⁹¹ Moreover, Yufei International, a private fishery company in Xinjiang, has invested in Gwadar and transported seafood back to the Xinjiang market through the cold chain, which proves the feasibility of the market-oriented operation of this trade route.²⁹² In this regard, once the commercial Indian Ocean-

Today, PR to increase trains from 32 to 171 per day, <https://www.pakistantoday.com.pk/2017/03/07/pr-to-increase-trains-from-32-to-171-per-day/>; China Radio International, The CPEC brings new changes to Pakistan railway, <http://news.cri.cn/20170113/753323bb-ba1d-ea16-54ae-5e0381a5baaf.html>.

²⁸⁸ Lim, A.C.H., 2019. “The Moving Border of the China-Pakistan Economic Corridor”, *Geopolitics*, 24(2), pp.487-502.

²⁸⁹ China Daily, China studying new Silk Road rail link to Pakistan, http://www.chinadaily.com.cn/business/2014-06/28/content_17621525.htm; Business Recorder, New railway line to be laid from Havelian to Khunjrab: Khawaja, <https://www.brecorder.com/2016/02/18/279561/>; CPEC, Pak Railways to conduct feasibility study for Havelian-Khunjerab Railway line, <http://www.cpecinfo.com/news/pak-railways-to-conduct-feasibility-study-for-havelian-khunjerab-railway-line/NDA0NA>.

²⁹⁰ Xinhua Net, The friendship between China and Pakistan likes the Karakoram Highway, the longer you walk, the wider it is, http://www.xinhuanet.com/silkroad/2017-05/07/c_129592742.htm; People’s Daily, Unite together and build the Sino-Pakistan friendship way again, http://paper.people.com.cn/rmrb/html/2017-05/15/nw.D110000renmrb_20170515_5-10.htm; CPEC, Havelian Dry Port, <http://cpec.gov.pk/project-details/31> according to the official website, the unit is million. Maybe this is a clerical mistake. The right unit should be thousand.

²⁹¹ People.cn, Roll up our sleeves to construct the CPEC, <http://ydy1.people.com.cn/n1/2017/0412/c411837-29205916.html>.

²⁹² People.cn, The first batch of frozen deep-sea wild seafood from Gwadar arrives Xinjiang, <http://xj.people.com.cn/n2/2017/1207/c186332-31006646.html>.

oriented connectivity is realized by a trans-Karakoram railway, China's economic geography is expectable to experience a fundamental transformation. Better connected with outside markets, those landlocked provinces that used to be the peripheral to China's domestic transport network can be transformed into hubs linking the domestic and overseas markets.

As argued by a number of scholars, there are tons of intractable issues in the CPEC construction and the \$62 billion investment is not adequate to fulfill the modernization and nation-building of a country with 200 million population.²⁹³ However, in practice, when China scales down its ambition to some pillar infrastructure projects with game changing effects, notably the Gwadar port, the \$62 billion investment seems to make a difference in Pakistan. Specifically speaking, due to the weaker political backup, Balochistan only reaps eight projects among the total 330 CPEC projects, while Punjab and Sindh, the main body of the Pakistani economy, have grabbed 176 and 103 respectively, accounting for 85% of the total.²⁹⁴ Moreover, the two largest ports of Pakistan, the Karachi Port Trust and the Port Qasim Authority, are both located in Karachi and have the plans of establishing the LNG terminal and deep-water terminal.²⁹⁵ Thus, in the foreseeable future, Karachi's role as the chief port of Pakistan is stable. Additionally, as Gwadar does not have a meaningful economic hinterland, it is irrational to construct Gwadar when Karachi still has surplus capacity. Therefore, theoretically and practically, it is the most economical choice for the CPEC to be unfolded along the existing Indus River economic belt, which has been manifested by the project distribution. From this perspective, this thesis contends that the CPEC has

²⁹³ Garlick, J., 2018. "Deconstructing the China-Pakistan economic corridor: pipe dreams versus geopolitical realities", *Journal of Contemporary China*, 27(112), pp.519-533.

²⁹⁴ The Express Tribune, Punjab gets lion's share in Chinese projects, <https://tribune.com.pk/story/1175160/economic-corridor-punjab-gets-lions-share-cpec-projects/>; The Express Tribune, 6th census findings: 207 million and counting, <https://tribune.com.pk/story/1490674/57-increase-pakistans-population-19-years-shows-new-census/>; The Express Tribune, K-P has fastest growing economy in Pakistan, says Dr. Pasha in new book, <https://tribune.com.pk/story/1633178/1-k-p-fastest-growing-economy-pakistan-says-dr-pasha-new-book/>.

²⁹⁵ The Express Tribune, Business plan being prepared for Karachi Port Trust, <https://tribune.com.pk/story/1345454/business-plan-prepared-karachi-port-trust/>; The Express Tribune, Pakistan's first deep-water terminal to be ready in April, <https://tribune.com.pk/story/1294318/karachi-port-pakistans-first-deep-water-terminal-ready-april/>; The Express Tribune, Pakistan's second LNG terminal to be built at Karachi's Port Qasim, <https://tribune.com.pk/story/1099054/handling-gas-imports-pakistan-gasport-wins-second-lng-terminal-contract/>.

been exaggerated by scholars who rely on the official discourse on the CPEC. In contrast, the CPEC project distribution has proven that most of the objectives in the CPEC are definite and practicable, thanks to the investment as massive as \$62 billion.

To sum up, as the flagship project of the BRI, the CPEC enables Pakistan to exploit the location advantage as the crossroad of Eurasia and the Indian Ocean. Emphasizing connectivity, Pakistan can benefit from the increased trade volume especially when the trans-Karakoram railway links up the western landlocked regions of China with the Indian Ocean. Despite the fact that the CPEC appears to be overambitious owing to a series of obstacles, China's strategic objectives in the CPEC are mostly limited, thus the \$62 billion investment is expected to make a difference in Pakistan's development.

4.2.2 Myanmar and China's Economic West Coast

In parallel with the CPEC, the CMEC is the other pedestal of the Indian Ocean-oriented opening-up of China. Unlike the CPEC which has geopolitical implications, the CMEC is proposed mostly for economic reasons. In terms of connectivity, the CMEC far outweighs the CPEC. Firstly, this economic corridor is designed to link up Southwestern China, which is more developed and closer to the economic hinterland, with the Indian Ocean. Secondly, in terms of engineering, the railway remained to be constructed is shorter and easier. Thirdly, regarding nation-building, Myanmar is ahead of Pakistan. Therefore, the CMEC is a better and more feasible target. Hence, according to the grandiose "six economic corridors" blueprint propping up the BRI, the CMEC is listed only second to the CPEC, in order to illustrate its significance.²⁹⁶

China has met with a series of setbacks in pushing forward the CMEC because of Myanmar's unstable domestic politics. The prioritized project of the CMEC is the

²⁹⁶ Xinhua Net, Wang Yi: China proposes the idea of Sino-Myanmar economic corridor, http://www.xinhuanet.com/2017-11/20/c_1121979952.htm; The "six economic corridors" includes China-Mongolia-Russia, the New Eurasian Land Bridge, China-Central and Western Asia, China-Indo-China Peninsula, China-Pakistan and Bangladesh-China-India-Myanmar.

Kyaukpyu-Kunming transnational railway. As a matter of fact, China had already signed the memorandum of understanding (MoU) about the Kyaukpyu-Muse railway, the Myanmar section of the Kyaukpyu-Kunming railway, with Myanmar in 2011. However, owing to the domestic unrest of Myanmar, this project, which was projected to open to traffic by 2015, finally came to a deadlock after the memo expired in 2014.²⁹⁷ This kind of situation had occurred in other projects too. Take the \$3.6 billion Myitsone Dam for instance. This mega-project is designed to generate more electricity than the capacity of the whole Myanmar and turn over \$18 billion revenue to the government of Myanmar, whose GDP is only \$69 billion. However, this project was compelled to be suspended due to the domestic and external pressure as well.²⁹⁸ Therefore, the CMEC was previously overshadowed by the fragile domestic environments of Myanmar.

Although the stakes are high, China finds it hard to resist the enticing prospect of turning the Rakhine State of Myanmar to the west coast of the Chinese economy. For this, China is committed to pushing forward this game-changing initiative in this country. As the gateway of the CMEC, the Kyaukpyu deep sea port is expected to be the throughput center for Myanmar and Southwestern China. Spearheaded by the China International Trust Investment Corporation (CITIC Group), a five-party consortium won this \$7.3 billion project, which is projected to have an annual capacity of 7.8 million tons of major commodity and 4.9 million TEUs. Moreover, in a typical Chinese approach, this consortium envisages a \$2.3 billion industrial park in the Kyaukpyu Special Economic Zone, anchoring a forward stronghold for China's Indian Ocean-oriented opening-up.²⁹⁹ Viewed from the designed capacity of the experimental phase

²⁹⁷ State-owned Assets Supervision and Administration Commission of the State Council, The China Railway Engineering Corporation signed the memorandum of understanding about Kyaukpyu-Muse railway with Myanmar, <http://www.sasac.gov.cn/n103/n86114/n326638/c824588/content.html>; Guancha, Myanmar suspends the Kyaukpyu-Kunming railway, http://www.guancha.cn/Neighbors/2014_07_21_248869.shtml.

²⁹⁸ The New York Times, A Chinese-Backed Dam Project Leaves Myanmar in a Bind, <https://www.nytimes.com/2017/03/31/world/asia/myanmar-china-myitsone-dam-project.html>; The Guardian, WikiLeaks cables: Americans funded groups that stalled Burma dam project, <https://www.theguardian.com/world/2011/sep/30/us-embassy-cables-burma-myitsone-dam>.

²⁹⁹ Xinhua Net, CITIC consortium win the bidding of KyaukPhyu Special Economic Zone, http://www.xinhuanet.com/world/2015-12/31/c_128585886.htm; South China Morning Post, The economic stakes for China in Myanmar's restive Rakhine, <http://www.scmp.com/news/china/diplomacy-defence/article/2112366/economic-stakes-china-myanmars-restive-rakhine>.

one, China seems to be optimistic about these projects. Furthermore, despite the suspension of the Kyaukpyu-Kunming transnational railway, China did succeed in building a pipeline to transmit energy. In 2017, the Sino-Myanmar oil and gas pipeline was launched, running in parallel with the planned Kyaukpyu-Kunming railway above ground.³⁰⁰ The designed annual capacity of this pipeline reaches 22 million tons of oil and 12 billion cubic meters (bcm) of natural gas. In comparison, the total import amount of crude oil and gas was 420 million tons and 95 bcm respectively in 2017, thus this pipeline can ship 5% and 12% of China's total demand. Therefore, from the perspective of connectivity, the only breach is the Kyaukpyu-Muse railway. Once the Kyaukpyu-Kunming railway is opened to traffic, Myanmar is supposed to gravitate towards China's orbit economically.

China has signed another MoU with Myanmar to cooperate on the CMEC and set up a joint working committee to coordinate issues in 12 aspects, including development planning, investment and production, especially a feasibility study of the Muse-Mandalay railway, which is critical for the Kyaukpyu-Kunming railway.³⁰¹ Therefore, from the view of China, thanks to the Kyaukpyu-Kunming railway, coupled with the Sino-Thailand railway (connecting Kunming with Bangkok in Thailand) and the Sino-Laos railway (connecting Kunming with Vientiane in Laos), landlocked Yunnan seems to be turned into the center of transport and the front line of opening-up in Southwestern China.³⁰² In a broader sense, when the Trans-Asian railway is extended as far as Malaysia and Singapore, the geographic advantages of Yunnan and entire southeastern China will be fully exploited with all these critical railways constructed and integrated into a complete railway network.

³⁰⁰ People.cn, China-Myanmar gas pipeline goes operational, <http://world.people.com.cn/n/2013/0729/c1002-22355681.html>; Xinhua Net, The Crude oil from the China-Myanmar oil pipeline enters China, http://www.xinhuanet.com/fortune/2017-05/19/c_1121004260.htm.

³⁰¹ Belt and Road Portal, China and Myanmar signs the memorandum of understanding on the Sino-Myanmar Economic Corridor, <https://www.yidaiyilu.gov.cn/xwzx/roll/65805.htm>; Xinhua Net, China and Myanmar discuss to accelerate the construction of China-Myanmar Economic Corridor, http://www.xinhuanet.com/world/2018-09/14/c_1123432483.htm.

³⁰² Xinhua Net, the first section of Sino-Thailand railway breaks ground, http://www.xinhuanet.com/thailand/2017-12/21/c_1122149108.htm; People.cn, the Sino-Laos railway breaks ground and is projected to open to traffic by the end of 2021, <http://world.people.com.cn/n1/2017/1115/c1002-29648309.html>.

From Myanmar's perspective, as China's corridor to the Indian Ocean, Myanmar can get a stable revenue from the toll and tax on the mounting Chinese freight. Myanmar can also be well-positioned to undertake the industrial transfer from China. Therefore, after the ambivalence illustrated previously, Myanmar has made up its mind to embrace the BRI, demonstrated by the establishment of a steering committee for the BRI chaired by State Counselor Aung San Suu Kyi.³⁰³ Additionally, China has played its due role in mediating between Myanmar's central government and the ethnic armed groups. After the setup of the BRI steering committee, the ethnic armed groups expressed their support for nationwide peace, paving the way for the breakthrough of the CMEC.³⁰⁴ Sino-Myanmar relations were further reinforced by Chairman Xi Jinping's state visit to Myanmar in January 2020, during which the CMEC was highlighted to a greater extent.³⁰⁵

In conclusion, the CMEC is crucial for China's connectivity to the Indian Ocean, by which China could convert its neglected southwestern corner into the bridgehead of westward opening-up. With the promotion of the CMEC, Myanmar is expected to become the west coast of China's economy in the foreseeable future, standing to benefit economically and politically.

4.3 Technological Progress and Better Connectivity: The Globalizing Logistics Network and The Electronic World Trade Platform

As "the center of trade" is essential for "the center of production", this thesis argues that "better connectivity" is a critical determinant of the BRI and China's grand strategy,

³⁰³ Xinhua Net, Myanmar forms steering committee for implementation of Belt and Road projects, http://www.xinhuanet.com/english/2018-12/07/c_137657781.htm.

³⁰⁴ Xinhua Net, Myanmar's ethnic armed groups voice support for gov't peace efforts, http://www.xinhuanet.com/english/2018-12/12/c_137669013.htm.

³⁰⁵ Xinhua Net, Sino-Myanmar Joint Declaration, http://www.xinhuanet.com/world/2020-01/18/c_1125478225.htm.

which can be categorized into improved economic geography and enhanced logistics efficiency. In addition to the endeavors to improve economic geography led by the government, driven by technological progress and market competition, Chinese private enterprises' pursuit of cheaper and faster logistics also helps China achieve "better connectivity". As the cost and timeliness of logistics basically determine the pattern of trade, "better connectivity" is supposed to sharpen the competitive edge of China's manufacturing and propel China to be "the center of trade". In the coming e-commerce era of global trade, "parcel" might replace "TEU" as the basic unit of freight, making for "better connectivity" for SMEs. Accordingly, the Electronic World Trade Platform (EWTP) is designed to play a complementary role to the WTO as the infrastructure of global trade in the e-commerce era. Against such a backdrop, the BRI is an initiative to take advantage of and respond to the trend of technological progress, rather than a "captain's call" of top leaders.

Given the fact that the logistics cost accounts for 15% of China's GDP while this figure is only 8% for developed economies, China regards enhancing domestic logistics efficiency as the primary momentum of achieving "better connectivity". According to the ambitious plan of Alibaba, thanks to the China Smart Logistic Network (CSN, commonly known as Cainiao Network, a high-tech global logistics solution and organizing platform), the logistics cost of China is estimated to be reduced to 5%, thus leaving more profits to manufacturing. According to Jack Ma, this network is composed of a reach-within-24 hours delivery network domestically and a reach-within-72 hours delivery network internationally. Ma's ambitious scheme has been supported by the Chinese government, which proposed to build a "one-two-three global logistics circle", i.e., one-day delivery within China, two days to neighboring countries and three days to the major cities across the world.³⁰⁶ Theoretically speaking, such a global logistics network is projected to bring about revolutionary changes to the current global logistics model as important as the "container revolution", making parcel instead of TEU as the

³⁰⁶ The State Council of the PRC, The Outline for Building a Country with Leading Transportation, http://www.gov.cn/zhengce/2019-09/19/content_5431432.htm.

basic unit of global trade in the era of e-commerce.³⁰⁷ Practically speaking, thanks to the efforts of Chinese logistics enterprises, the average time-cost within China has been cut from 4 to 2.5 days, while the average time-cost between China and other major economies has been expedited from 70 to 10 days.³⁰⁸ According to the roadmap of Cainiao Network, it plans to cover 100 cities with a reach-within-five days delivery network and then enlarge the network to 500 cities by 2021, before consummating the reach-within-72 hours global network.³⁰⁹

Cost reduction and cost performance improvement are the premises for a revolution in global logistics, which can only be achieved by market competition and technological progress. The large-scale participation of Chinese logistics enterprises is expected to intensify the market competition, which paves the way for curtailing the logistics costs worldwide. Take the leaders of the logistics industry, United Parcel Service (UPS) and FedEx for instance. In 2017, the revenue per package of international delivery of UPS was \$28.69 while FedEx reached \$54.68. For US domestic revenue per package, FedEx was \$17.6 and UPS was \$9.48.³¹⁰ In comparison, the domestic revenue per package of China was only ¥11.3 (\$1.66) while the international one was ¥63.9 (\$9.4).³¹¹ Hence, the broader engagement of Chinese logistics providers in global logistics is predicted to cut down the cost substantially. Presently speaking, driven by cut-throat competition and the declining profits in the domestic market, Chinese logistics enterprises have paid more attention to the more lucrative overseas market, which contributed 10.7% of the total revenue with only 2.1% of the total amount in 2017. For instance, being ranked

³⁰⁷ For further read, please see Levinson, M., 2016. *The Box: How the Shipping Container Made the World Smaller and the World Economy Bigger*. Princeton University Press; Bonacich, E. and Wilson, J.B., 2008. *Getting the goods: Ports, labor, and the logistics revolution*. Cornell University Press; Bernhofen, D.M., El-Sahli, Z. and Kneller, R., 2016. "Estimating the effects of the container revolution on world trade", *Journal of International Economics*, 98, pp.36-50.

³⁰⁸ Global Smart Logistics Summit, Ma Yun's speech in 2018 Global Smart Logistics Summit, <https://gsls.cainiao.com/pc.html#lookback>.

³⁰⁹ Global Smart Logistics Summit, The International Strategy of Cainiao Network, <https://gsls.cainiao.com/pc.html#lookback>.

³¹⁰ UPS Pressroom, 2017 UPS Annual Report, https://pressroom.ups.com/assets/pdf/2017_UPS_Annual_Report.pdf, pp.25, pp.30; FedEx, FedEx 2017 Annual Report, http://s1.q4cdn.com/714383399/files/oar/2017/AnnualReport2017/AnnualReport2017flat/docs/FedEx_2017_Annual_Report.pdf, pp.23.

³¹¹ The State Council of the PRC, The report of 2017 logistics industry of China, http://www.gov.cn/shuju/2018-01/13/content_5256300.htm.

among the top five in the global logistics industry, SF Express has established a Joint Venture (JV) with UPS to provide cost-sensitive and time-sensitive customers with US-China direct delivery service, as the inauguration of its internationalization strategy.³¹² Another leading company, YTO has merged the On Time Group, a company specializing in the global air freight, warehousing and customs clearance services, to expand its service scope worldwide.³¹³ Additionally, YTO takes the lead in setting up the Global Parcel Alliance with 50 logistics enterprises from 25 economies, seeking to further expand its international network.³¹⁴

Furthermore, thanks to the advanced IT technology, abundant investment and plentiful application scenarios, Chinese logistics enterprises are in a better position to spearhead a new round in the logistics revolution. Cainiao Network is the representative. Establishing logistics hubs is the first step of Cainiao. According to the Internet of Things (IoT) strategy of Cainiao, it will build up six logistics hubs worldwide, including Hangzhou, Hong Kong, Kuala Lumpur, Dubai, Moscow and Liège. For the purpose of linking them together, Cainiao has set up exclusive e-commerce air routes between Hangzhou and Moscow, Hong Kong and Liège, which is projected to shorten the logistics time from China to Europe to less than five days. The first super logistics e-hub in Kuala Lumpur is under construction and projected to be operational in 2020. The contracts establishing super logistics e-hubs in Dubai and Hong Kong were signed in June 2018, a week after Jack Ma announced his ambitious plan of linking all the logistics providers and warehouses to form a network connecting the world. Prompted by Alibaba, YTO and ZTO, two leading Chinese logistics providers, have taken the lead in this imaginative blueprint.³¹⁵

³¹² UPS Pressroom, UPS & SF Holding Joint Venture Receives Regulatory Approval in China, <https://www.pressroom.ups.com/pressroom/ContentDetailsViewer.page?ConceptType=PressReleases&id=1506601470847-795>; Jiemian, SF Express was ranked among the top five in logistics industry for the first time, <https://www.jiemian.com/article/2339374.html>.

³¹³ YTO, YTO M&A the On Time Group to accelerate its international layout, <http://www.yto.net.cn/gw/news/html/2417.html>; On Time Group, Service we offer, <https://www.ontime-express.com/en/services.html>.

³¹⁴ YTO, YTO initiates the Global Parcel Alliance to go global, <http://www.yto.net.cn/gw/news/html/2426.html>.

³¹⁵ 21 Caijing, Chinese logistics enterprises go global together to build the super international logistics hub, <https://m.21jingji.com/article/20170323/herald/c7dd8f23da480af41d054a4bee13e504.html>; China News, Cainiao Network invests Hong Kong e-hub, building up the digital pivot of global trade,

For the purpose of accelerating the global logistics speed, Chinese enterprises have introduced the concept of “overseas warehouses”, namely, to transport commodities based on big data forecast in advance to the local demand. For instance, Cainiao Network has built up over 230 overseas warehouses worldwide and its warehouses in France and Spain have come into operation. In France, the warehouse’s delivery time for commodities in stock can be reduced to 72 hours from the previous 26 days while 90% of commodities in stock can be delivered within 72 hours in Spain.³¹⁶ In Russia, Cainiao is able to use the overseas warehouses to the south of Moscow to provide “reach today” service to the local customers. Additionally, thanks to the Hangzhou-Moscow exclusive e-commerce air route, Chinese commodities can reach Russian customers within five days, in sharp contrast with the 60 days before Cainiao entered the Russian market in 2013.³¹⁷ On this point, it is noteworthy that Chinese logistics enterprises have streamlined the cross-continental logistics to less than 72 hours with an optimized algorithm in the existing technological context, laying the foundation for a more efficient global logistics when new technological methods are introduced. Therefore, Chinese logistics providers are expected to offer better and cheaper solutions to global logistics, which will enable China to become “the center of trade” in a commercial way.

In the foreseeable future, a broader utilization of automation is predicted to enhance the efficiency of the logistics industry. For the purpose of taking a rising number of parcels, Chinese logistics enterprises are driven to automate their services to a greater extent. Given the fact that the number of parcels is estimated to reach one billion daily within China by 2025 (ten times the figure for 2017), Chinese logistics enterprises have to resort to labor-substitution in warehousing and distribution, because of the pressure of

<http://www.chinanews.com/business/2018/06-07/8532758.shtml>; Jiemian, Cainiao Network cooperates with Emirates Airline to build super e-hub, <https://www.jiemian.com/article/2227119.html>.

³¹⁶ Cainiao, Global Network, <https://www.cainiao.com/markets/cnwww/transboundary-landing?spm=a21da.47553.0.0.628d4108SAOAJc>; China News, Cainiao Network set up French “overseas warehouses” to widen the reach-within-72 hours sphere in Europe, <http://www.chinanews.com/business/2017/05-31/8238368.shtml>.

³¹⁷ Jiemian, Cainiao launches “reach today” service in Russia, <https://www.jiemian.com/article/2324080.html>.

mounting labor cost and the limited operating capacity of human.³¹⁸ According to JD, which is famous for rapid logistics in China, the efficiency of an unmanned distribution hub is four to five times greater than that of traditional ones, and drones can shorten the distribution time in “the last mile” over ten times.³¹⁹ Therefore, unmanned sorting and automated guided vehicles have been broadly adopted in the Chinese logistics industry, and unmanned distribution vehicles of JD have been put into service in semi-regular scenarios, which is reported to cut down the distribution cost per package to one-sixth, around ¥1.5 (\$20 cents).³²⁰ JD has also launched a “driverless truck” which is purported to be put into commercial use in 2020, seeking to curtail inter-city transport costs.³²¹

Another noteworthy trend in the logistics industry is the application of drones. Presently speaking, SF and JD take the lead in China in this realm. In terms of policy approval, SF has obtained the first license from China to inaugurate its drone distribution, marking the commencement of the practical application of drones in China. According to SF’s plan, it aims to build a reach-within-36-hour network composed of “large manned transport aircraft + large regional drone + small terminal drone” to cover entire China. SF focuses on large regional drones rather than terminal ones, for instance, a drone featuring 2000 km range and 1.5 ton load is SF’s priority.³²² Given the large geographical scale of China, these “regional” drones can also be applied to the cross-country freight in most cases. As SF’s principal rival, JD has a more ambitious plan that builds up tens of thousands of drone airports nationwide and deploys one million drones by 2023, through which to reach customers in China within 24 hours.³²³ JD counts on

³¹⁸ Sina, Ma Yun, the number of parcel will reach one billion daily by 2025, <http://finance.sina.com.cn/stock/s/2017-05-24/doc-ifyfkkme0315200.shtml>.

³¹⁹ Jiemian, The unmanned distribution post of JD has been put into use, <https://www.jiemian.com/article/1964155.html>.

³²⁰ D1EV, JD unmanned vehicle has been applied in regular scenarios, <https://www.d1ev.com/news/jishu/71107>; 36kr, The story of JD unmanned vehicle, <https://36kr.com/p/5110312.html>.

³²¹ The Paper, JD driverless truck is purportedly to put into commercial use in 2020, https://www.thepaper.cn/newsDetail_forward_2160319.

³²² Jiemian, The first license of drone operation in China was issued, drone delivery is coming, <https://www.jiemian.com/article/2042389.html>.

³²³ Xinhua Net, JD says to deploy one million drones in five years, http://uav.xinhuanet.com/2017-09/27/c_129713107.htm.

the scale economy effect of drone application to overwhelm the rivals and redefines the terminal distribution.

More profound progress requires heavier drones. Since drones are free from the life support and guarantee system, cargo drones tailored to unmanned logistics can considerably cut the manufacturing and operating cost and increase the available load. In this regard, the threshold of air freight will be lowered substantially. Taking FedEx for instance. FedEx is famous for its cargo aircraft fleet and has the highest freight tonnage-km in the world. 373 aircraft are in service in its express fleet and 286 aircraft are in the contracted feeder fleet, but over 40% of the aircrafts in the former fleet are the old type to be retired.³²⁴ In comparison, taking China's cargo aircraft leader SF for example, its cargo fleet has 41 aircraft and 16 more were on lease up to 2017, and only five B-767s in this fleet are capable of conducting the cross-continental transport. However, in terms of efficiency, this small scale of cargo aircraft fleet finished 760 million orders in 2017, accounting for 25% of the total orders of SF.³²⁵ Considering the effectiveness of large cargo aircraft, the application of heavy cargo drones is projected to be revolutionary for cross-national and cross-continental freight. As for now, SF has developed a large drone with a 2000 km range and a 1.5-ton load, while JD has launched a large drone with a 1000 km range and a 1-to-5-ton load. Their major technological indicators have reached the level of the Cessna 208B, the main component of FedEx's feeder fleet (239 out of 286). According to JD's plan, it will deploy thousands of drones at this level in addition to one million terminal drones to develop a "reach-within-24hours" logistics network in China, which seems to redefine the thousand-km range logistics.

Thanks to the above-mentioned progress in the logistics industry, "parcel" is supposed

³²⁴ FedEx, FedEx First Quarter Fiscal Year 2018 Statistics, http://s1.q4cdn.com/714383399/files/doc_downloads/statistical/2018/FedEx-Q1-FY18-Stat-Book.pdf, pp.17; Statistics, Leading airlines worldwide by international and domestic freight tonnage-kilometers in 2017 (in millions), <https://www.statista.com/statistics/269901/top-10-airlines-worldwide-for-cargo-transported/>.

³²⁵ SF Express, SF Express 2017 Annual Report, <http://www.cninfo.com.cn/finalpage/2018-03-14/1204472912.PDF>, pp.20-22.

to replace TEU as the basic unit of global trade. In response to this imminent transformation in the “economic base”, the “superstructure” of global trade should keep abreast with the change. In this sense, trade facilitation is indispensable to realize “better connectivity”. The EWTP is one of the most noteworthy attempts of China in this term, especially in the context that the WTO reform is at an impasse after the breakdown of the Doha Development Round.³²⁶ As Jack Ma argues, WTO is a trade mechanism serving 60,000 multinational corporations (MNC) while ignoring the rights of SMEs. A streamlined global trade process, which is expected to lower the high thresholds in laws, regulations, exchange rates and other realms, will enable SMEs to get access to the broader global market hitherto monopolized by their large rivals. With simplified customs regulations, global-reach logistics, globally-accepted credit and payment methods, SMEs can extend their businesses all around the world while customers can get access to more selections beyond the local. Take Malaysia which deeply participates in the EWTP for example. Thanks to the digital upgrade shortening the customs clearance from 24-48 hours offline to 0-3 hours online, the figure of cross-border e-commerce SMEs in Malaysia is estimated to skyrocket twenty-fold from 2500 out of 900,000 to 50,000 in five years.³²⁷ Regarding China, e-commerce is predicted to take over 40% of China’s foreign trade and reach a \$1 trillion market scale (cross-border B2C) in 2020.³²⁸ Therefore, the global trade mechanism will be characterized by being more inclusive and robust with SMEs and the EWTP. Considering these game-changing effects, the EWTP has been recognized and endorsed internationally, exhibited by its popularity in a series of international summits, including the Boao Forum for Asia, the World Economic Forum (Davos), the Business 20 Dialogue (B20) and G20.³²⁹

³²⁶ Financial Times, The Doha round finally dies a merciful death, <https://www.ft.com/content/9cb1ab9e-a7e2-11e5-955c-1e1d6de94879>; The New York Times, Global Trade After the Failure of the Doha Round, <https://www.nytimes.com/2016/01/01/opinion/global-trade-after-the-failure-of-the-doha-round.html>.

³²⁷ The Paper, EWTP lands in Malaysia and help thousands of SMEs engage in global trade, https://www.thepaper.cn/newsDetail_forward_2318245.

³²⁸ China Daily, Collaborating WTO and EWTP, SMEs worldwide freeride Alibaba’s trade express, http://caijing.chinadaily.com.cn/2017-12/21/content_35352990.htm; Aliresearch, Aliresearch and Accenture strategy, Outlook of cross-border B2C e-commerce market, <http://i.aliresearch.com/file/20150611/20150611113848.pdf>.

³²⁹ Alizila, eWTP Fact Sheet, <http://www.alizila.com/wp-content/uploads/2016/09/eWTP.pdf?x95431>; B20, Interview Jack Ma, founder and CEO of Alibaba, <https://www.b20germany.org/news/article/interview-jack-ma->

More importantly, the EWTP is likely to lead to a new round of globalization and become the new “infrastructure” in global trade. Regarding China’s consistent emphasis on connectivity in the BRI, the EWTP proposed by Alibaba becomes the bellwether of China’s endeavor to tighten connectivity with other economies. Presently speaking, Alibaba has built up a platform tailored to the new version of global trade and globalization, composed of Ant Financial as the credit and payment tool, OneTouch as the business procedure outsourcing service provider and Cainiao Network as the logistics organizer. According to the experiences of marking, when one enterprise takes one step ahead to build a platform, due to path-dependence, the first-mover advantage can hardly be shaken by the followers. Jack Ma has set up a new vision for Alibaba to reach a goal of “five globes”, i.e., buy, sell, pay, transport and travel around the globe. In this way, Alibaba can embed its services in the e-commerce era global trade, which thus evolves to become the infrastructure of a new round of globalization.³³⁰ China’s experiences have shown that e-commerce will standardize fragmented trade procedures, thus trade efficiency will be enhanced by a large margin. Therefore, thanks to the breakthrough in the global trade mechanism brought about by the EWTP, global trade is expected to develop from an MNC-to-MNC level to an SME-to-SME level. Accordingly, globalization will be expanded from a nation-to-nation to a person-to-person level.

To sum up, driven by the fierce market competition and rapid technological progress, Chinese logistics enterprises, spearheaded by Cainiao Network, JD and SF, are blazing a new path to cut the cost while enhancing the efficiency of logistics, which is projected to bring about breakthroughs in the logistics industry in the foreseeable future. Echoing this trend, Alibaba proposes the EWTP to lower global trade entries and embrace SMEs

[founder-and-ceo-of-alibaba/](http://news.xinhuanet.com/world/2017-11/04/c_1121904025.htm); Xinhua Net, Alibaba started eWTP in Malaysia, http://news.xinhuanet.com/world/2017-11/04/c_1121904025.htm; Xinhua Net, Jack Ma’s eWTP proposal included in G20 communique, http://www.xinhuanet.com/english/2016-09/07/c_135669562.htm; Alizila, Malaysia’s new eWTP hub, a boon to local firms, <http://www.alizila.com/malaysias-new-e-hub-boon-local-firms/>.

³³⁰ Xinhua Net, Jack Ma: In addition to “five news”, Alibaba aims to attain “five globes” as well, http://www.xinhuanet.com/fortune/2017-07/11/c_129652788.htm.

in global trade, further tightening the connectivity between economies. Thanks to the internationalization of its logistics enterprises and the build-up of the EWTP, China makes headway to realize the ambition of “the center of trade”.

4.4 Conclusion

In conclusion, within the BRI framework, China's westward opening-up groundwork is supported by three pillars, i.e., the CR express, the CPEC and the CMEC. In terms of economic geography, thanks to the shortcuts to the European end market and the corridors to the Indian Ocean, the economic geography of Western China is estimated to be substantially improved and China is predicted to be transformed into a “two oceans country”. In terms of logistics efficiency, the internationalization of Chinese logistics enterprises is bound to intensify the competition in the global logistics market and cut the cost of cross-national freight. Furthermore, thanks to the technological progress in logistics, Chinese logistics enterprises are likely to take the lead in developing intelligent and unmanned logistics to reach better cost-efficiency. In terms of the global trade regime, responding to the digitalized global trade, the EWTP is proposed to simplify the trade process while embracing more SMEs in global trade. Therefore, taking account of economic geography, logistics efficiency and the global trade regime, the government and enterprises of China are taking concerted effort to cultivate “better connectivity” between China and the world, in tandem with China's greater strategic blueprint of kicking off a new round of opening-up and championing the current free trade regime led by the WTO. In this way, China is well-positioned to turn itself into “the center of trade” with the promotion of the BRI.

Chapter Five: The Pursuit of De-Dollarized Upstream Energy and Resources Supplies: Building a Global Production Network Centered on China

Cheap and stable supplies of upstream resources are indispensable to China's goal of becoming "the center of production", which will be better achieved by diversifying import sources and acquiring more strategic supplies. More importantly, China seems to base the RMB and de-dollarized energy settlement on Russia's cooperation, upon which to persuade other suppliers to accept China's deal in a market competition approach. China's identity as a major trade partner and investor in BRI countries is expected to facilitate de-dollarized energy and resource settlement.

5.1. De-Dollarization and the Restoration of China's Economic Sovereignty

As demonstrated in Chapters Two and Three, China's topmost strategic objectives can be summarized as "the center of production" and de-Americanization. In this sense, it is unproductive or even counterproductive for China to hold the US dollar as the primary forex reserves. It is also uneconomical to adopt a foreign currency to denominate and settle a global production network centered on China's production and market.

5.1.1. The Counterproductive and Precarious US Dollar Reliance of China

In the first place, the huge US dollar forex reserves does not contribute to China's goal

of becoming “the center of production and trade”. China has to master three “cores” in order to become “the center of production and trade”. Firstly, obtaining “core” resources for importation; secondly, grasping “core” know-how for production; thirdly, securing “core” markets for exportation. Nevertheless, China’s huge amount of forex reserves can be applied to none of the “three cores”. As illustrated in Chapter Two, China can no longer rely on M&A to get access to core technology and technique. Also, given the monopolistic nature of most upstream resources, China can hardly count on the owners to release the valuable assets for sale. Furthermore, domestically speaking, the US dollar used to be the credit of issuing the RMB. Presently speaking, given the fact that the People’s Bank of China (PBC) is curtailing its US dollar asset, it is noteworthy that the “anchor” or credit of the RMB has been shifted from the US dollar to China’s national credit.³³¹ That is to say, the RMB has gained independent credit and does not need to anchor itself on the US dollar any more. Therefore, strategically speaking, the massive US dollar reserves can no longer contribute to China’s strategic objectives. However, considering the monetary status of the US dollar, China has to hold such a huge but strategically unproductive asset for the balance of payments (BOP) and financial security. Therefore, as Paul Krugman argues, China has fallen into a “dollar trap”.³³² Given the predicament that China’s forex reserves can neither serve its global ambitions nor enhance its domestic welfare, the US Treasury securities market turns out to be the only market large and safe enough to accommodate its forex reserves, most of which are accumulated by trade surplus. Ironically, China, a poorer state, has to lend money to the much wealthier US to help the US import China’s goods, which is named as “capital doubtful recycling” by Joseph Stiglitz.³³³ Although China earned a \$323bn trade surplus from the US in 2018, the US Treasury securities held by China have reached \$1130bn, 3.5 times the record trade surplus of China.³³⁴

³³¹ People’s Bank of China, Money and Banking Statistics, Balance Sheet of Monetary Authority, <http://www.pbc.gov.cn/diaochatongjisi/116219/116319/3750274/3750284/index.html>.

³³² Krugman, P., 2009. “China’s dollar trap”, *New York Times*, 2(4), p.2009.

³³³ Zhou Qing, “Analysis of the profound reasons behind Stiglitz’s Capital Doubtful Recycling”, *China Money*, No.5, 2010 (周晴:《斯蒂格利茨“资本流动怪圈”背后的深层原因分析》,《中国货币市场》).

³³⁴ US Department of the Treasury, Major Foreign Holders of Treasury Securities, <https://ticdata.treasury.gov/Publish/mfh.txt>. Wall Street.cn, How China’s forex reserves compose, <https://wallstreetcn.com/articles/286465>.

The “dollar trap” is similar to “petrodollar recycling”. In this recycling, the core logic is that the US exports the US dollars to purchase goods and services while the recipients reinvest the US dollars they earned back into the US financial market, for the purpose of preserving and appreciating their assets economically and in exchange for US security promises or political friendship.³³⁵ Take a closer look at the top holders of US Treasury securities and forex reserves, i.e., China, Japan, Saudi Arabia, South Korea, Hong Kong and Taiwan, all of them are either goods or resources suppliers to the US.³³⁶ Meanwhile, except for China, the rest of them are all US allies or even host US military bases. As in the Cold War, West Germany was compelled to support US dollar hegemony in return for US security promises. This case is also true for China. In the first decade of the 21st century, China was obliged to maintain good terms with the US by supporting US dollar hegemony, in the hope of creating a relatively safe international environment.³³⁷ Therefore, China has every reason to extricate itself from US dollar hegemony, in order to make better use of its forex reserves and restore its economic sovereignty.

Secondly, China's overdependence on forex reserves not only confines its freedom to conduct diplomatic actions but also renders it susceptible to financial crises. In financial terms, according to the IMF methodology, the safe zone of China's forex reserves is \$1.75- 2.62 trillion with capital controls and \$2.82- 4.23 trillion without capital controls, indicating that the disposable forex reserves of China is much smaller than it seems.³³⁸ In fact, due to the short selling of the RMB, China has suffered a \$1 trillion plunge in

³³⁵ Spiro, D.E., 1999. *The hidden hand of American hegemony: petrodollar recycling and international markets*. Cornell University Press; Hook, S.W. and Niblock, T. eds., 2015. *The United States and the Gulf: Shifting Pressures, Strategies and Alignments*. Gerlach Press.

³³⁶ IMF, International Reserves and Foreign Currency Liquidity, <http://data.imf.org/?sk=2DFB3380-3603-4D2C-90BE-A04D8BBCE237>; US Department of the Treasury, Major Foreign Holders of Treasury Securities, <http://ticdata.treasury.gov/Publish/mfh.txt>.

³³⁷ Gavin, F.J., 2004. *Gold, dollars, and power: the politics of international monetary relations, 1958-1971*. UNC Press Books; Zimmermann, H., 2002. *Money and Security: troops, monetary policy, and West Germany's relations with the United States and Britain, 1950-1971*. Cambridge University Press; Helleiner, E. and Kirshner, J., “The future of the dollar: whither the key currency?” in Helleiner, E. and Kirshner, J. eds., 2012. *The future of the dollar*. Cornell University Press.

³³⁸ Wallstreet.cn, China International Capital Corporation, how much forex reserves does China need, <https://wallstreetcn.com/articles/235988>; Bloomberg, Something in reserve? Assessing China's FX buffer, <https://www.bloomberg.com/professional/blog/something-in-reserve-assessing-chinas-fx-buffer/>.

forex reserves in less than two years from \$4 trillion to \$3 trillion.³³⁹ In global trade terms, China has also been committed to boosting imports to balance trade, as well as to take advantage of its enlarging domestic market as a bargaining chip. Although China boasts a massive surplus in merchandise trade, its deficit in service trade is increasing over time. In 2018, the surplus in merchandise trade was \$351.7bn, 18.3% lower than that in 2017, while the deficit in service trade reached \$291.5bn, 14% higher than that in 2017. Moreover, the gap between the surplus and deficit has shrunk to \$60bn, 64% narrower than \$170bn in 2017.³⁴⁰ Thus, the accumulation of forex reserves is predicted to slow down and China's forex reserves might be depleted to an alarming level. This leads to an ironic phenomenon that China's global activeness is largely determined by the amount of US dollars it can accumulate. In consequence, the stronger China is, the less active it will be.

Furthermore, it is counterproductive for China to be the top supporter of US dollar hegemony. As Barry Eichengreen asserts, US dollar hegemony is an "exorbitant privilege",³⁴¹ which not only fuels US assertiveness all around the world but also turns China's trade triumph into financial defeat. Although the Bretton Woods System has broken down, thanks to the lock-in effect, its supporting institutions, establishments and norms are still alive and the US dollar-based monetary system is persistent.³⁴² According to Benjamin Cohen, there are five benefits of having international currency as well as three risks. The benefits include reducing transaction costs, international seigniorage, macroeconomic flexibility, political leverage (hard power) and reputation (soft power), while the risks are currency appreciation, external constraint and policy

³³⁹ Xinhua Net, Chinese forex reserves are hit back to the condition of five years ago, http://www.xinhuanet.com/fortune/2016-12/19/c_1120140564.htm.

³⁴⁰ State Council of the PRC, China's foreign trade in 2018, http://www.gov.cn/xinwen/2019-01/14/content_5357666.htm#1; Reuters, China's service trade in 2018, <https://cn.reuters.com/article/china-dec-service-trade-deficit-0131-idCNKCS1PP10N>.

³⁴¹ Eichengreen, B., 2011. *Exorbitant privilege: The rise and fall of the dollar and the future of the international monetary system*. Oxford University Press.

³⁴² For further read, please see Ikenberry, G.J., 2019. *After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order After Major Wars*, New Edition-New Edition (Vol. 161). Princeton University Press; Cohen, B., 1998. *The geography of money*, Cornell University Press. New York; Eichengreen, B., 2019. *Globalizing capital: a history of the international monetary system*. Princeton University Press; Stone, R.W., 2011. *Controlling institutions: International organizations and the global economy*. Cambridge University Press; Kirshner, J., 1997. *Currency and coercion: the political economy of international monetary power*. Princeton University Press.

responsibility.³⁴³ In a reverse way, as Jonathan Kirshner claims, the US will lose three privileges if it loses monetary hegemony, namely, reduced international political influence, loss of the benefits it is accustomed to enjoying and the risk of reduced macroeconomic policy autonomy during international political crises. Under such circumstances, the US will be handicapped in its ability to spend and borrow, both in the public and private sectors. In addition, the cost of borrowing money will be higher and cannot be inflated by devaluation, and the purpose of using money will be heavily scrutinized. Moreover, the deficit in the current account has to be paid back, with the result that Americans will need to live frugally.³⁴⁴

The international currency issuer is entitled to enjoy the aforementioned benefits when it shoulders the corresponding international responsibility. However, when the US abuses the privileges, China becomes the largest victim. As Benjamin Cohen argues, the primary loss China will suffer comes from the US “power to deflect” and “power to delay”.³⁴⁵ That is to say, the US can take advantage of the monetary predominance to dilute its mounting debt burden and use inflation to prey on other countries’ fortunes. The US can also throw its weight around globally to maintain monetary hegemony, which keeps itself from strategic overstretch. Additionally, relying on US dollar hegemony, the US can sanction and enforce “long arm jurisdiction” over other countries, including its allies, by its domestic financial and law instruments and the global financial infrastructure, such as Foreign Corrupt Practices Act (FCPA) and Society for Worldwide Interbank Financial Telecommunication (SWIFT), subjecting the global market to its control.³⁴⁶ In this way, economically speaking, as the largest holder of the

³⁴³ Cohen, B.J., 2012. “The benefits and costs of an international currency: getting the calculus right”, *Open Economies Review*, 23(1), pp.13-31.

³⁴⁴ Kirshner, J., 2008. “Dollar primacy and American power: What’s at stake?”, *Review of International Political Economy*, 15(3), pp.418-438; Setser, B., 2008. *Sovereign wealth and sovereign power: The strategic consequences of American indebtedness* (No. 37). Council on Foreign Relations.

³⁴⁵ Cohen, B.J., 2005. *The macro-foundation of monetary power*, European University Institute.

³⁴⁶ Carter, B.E. and Farha, R.M., 2012. *Overview and operation of us financial sanctions, including the example of Iran*. *Geo. J. Int’l L.*, 44, pp.903; Kittrie, O.F., 2008. *New Sanctions for a New Century: Treasury’s Innovative Use of Financial Sanctions*. *U. Pa. J. Int’l L.*, 30, pp.789; The Economist, America’s legal forays against foreign firms vex other countries, <https://www.economist.com/business/2019/01/17/americas-legal-forays-against-foreign-firms-vex-other-countries>; The Economist, How the American takeover of a French national champion became intertwined in a corruption investigation, <https://www.economist.com/business/2019/01/17/how-the-american-takeover-of-a-french-national-champion-became-intertwined-in-a-corruption-investigation>.

US dollar and US Treasury securities, China will suffer the most if the US devalues its currency and dilutes its debts. Politically speaking, the “long arm jurisdiction” based on US dollar hegemony has been an effective instrument for the US to snipe at the leaders of China’s industrial upgrade, such as Huawei and ZTE. Therefore, China is obliged to distance itself from US dollar hegemony.

To sum up, it is both counterproductive and precarious for China to remain dependent on the US dollar. China, as the largest external supporter but the largest victim ironically, is prompted to make better use of the massive forex reserves and scale down its support to US dollar hegemony, for fulfilling its strategic objectives.

5.1.2. De-Dollarization and RMB Internationalization

Even though China has every incentive to challenge US dollar hegemony, this emerging power has to acknowledge the fact that the US dollar’s supremacy as the “top currency” in the international monetary system is unshakable in the foreseeable future. Also, the RMB is hindered by its inherent flaws to be a rival of the US dollar. In this sense, China seems to adopt de-dollarization, i.e., keeping itself from supporting US dollar hegemony, as a more practical approach to achieve its goals, instead of RMB internationalization as common wisdom suggests.

Rather than the RMB, the question of whether the Euro can replace the status of the US dollar is a more popular topic for international political economy (IPE) scholars. Most scholars agree that the Euro is unlikely to replace the US dollar, mainly because of political reasons. Due to the absence of a clear and strong political leadership inside the EU and the deficiency of compelling geopolitical influence outside the EU, the Euro can hardly challenge the dominance of the US dollar worldwide. In terms of monetary theories, the EU is not an optimum currency area, and the EU’s institutional arrangements and economic geography further hinder the Euro from being the top

currency. Regarding the financial market, the Euro is treated as a diversification tool to avoid over-exposure to US dollar weaknesses. Therefore, this thesis concludes that the EU is incapable of catapulting the Euro to be the top currency.³⁴⁷

Concerning the persistence of US dollar dominance, the optimistic school holds the mainstream. They argue that it is still too early to assert the dollar will decline, despite the fact that the US has shown many signs of decline. In fact, the works claiming the US is declining only make reference to some limited indicators, such as GDP, but lack a comprehensive quantitative measure. Historically speaking, similar arguments have appeared many times before and are repeatedly proved wrong. The simple comparison between the current US dollar and sterling in the past is also inaccurate. More importantly, the absence of a qualified alternative currency powerful enough to supersede the US dollar and the incumbency advantage reinforces the current status of the US dollar.³⁴⁸ In contrast, the pessimists argue that the US dollar will decline to a “one among equals” currency and the international monetary system will be multipolar and leaderless.³⁴⁹ But their voices are relatively weak in academia.

Most scholars are generally negative about the future of RMB internationalization.³⁵⁰

³⁴⁷ Cohen, B.J., 2012. *The future of global currency: the euro versus the dollar*. Routledge; Cohen, B.J. and Benney, T.M., 2014. “What does the international currency system really look like?”, *Review of International Political Economy*, 21(5), pp.1017-1041; Posen, A.S., 2008. “Why the euro will not rival the dollar”, *International Finance*, 11(1), pp.75-100; Cohen, B.J. and Subacchi, P., 2008. “A One-and-a-half Currency System”, *Journal of International Affairs*, pp.151-163; Germain, R. and Schwartz, H., 2014. “The political economy of failure: The euro as an international currency”, *Review of International Political Economy*, 21(5), pp.1095-1122; McNamara, K.R., 2008. “A rivalry in the making? The Euro and international monetary power”, *Review of International Political Economy*, 15(3), pp.439-459; Otero-Iglesias, M. and Steinberg, F., 2013. “Reframing the euro vs. dollar debate through the perceptions of financial elites in key dollar-holding countries”, *Review of International Political Economy*, 20(1), pp.180-214.

³⁴⁸ Kirshner, J., 2008. “Dollar primacy and American power: What’s at stake?”, *Review of International Political Economy*, 15(3), pp.418-438; Kirshner, J., 2014. “Same as it ever was? Continuity and change in the international monetary system”, *Review of International Political Economy*, 21(5), pp.1007-1016; Norrlof, C., 2014. “Dollar hegemony: A power analysis”, *Review of International Political Economy*, 21(5), pp.1042-1070; John Greenwood, Chapter 12: “The future of the dollar as a reserve currency”, in Hale, D. and Hale, L.H. eds., 2011. *What’s Next?: Unconventional Wisdom on the Future of the World Economy*. Yale University Press; Helleiner, E. and Kirshner, J. eds., 2012. *The future of the dollar*. Cornell University Press.

³⁴⁹ Chapter 7-9, in Helleiner, E. and Kirshner, J. eds., 2012. *The future of the dollar*. Cornell University Press; Bowles, P. and Wang, B., 2008. “The rocky road ahead: China, the US and the future of the dollar”, *Review of International Political Economy*, 15(3), pp.335-353.

³⁵⁰ Dobson, W. and Masson, P.R., 2009. “Will the renminbi become a world currency?”, *China Economic Review*, 20(1), pp.124-135; Wang, D., Huang, Y. and Fan, G., 2015. “Will the Renminbi become a reserve currency?”, *China economic journal*, 8(1), pp.55-73; Huang, Y., Wang, D. and Fan, G., 2014. *Paths to a reserve currency: internationalization of the Renminbi and its implications*, East Asian Bureau of Economic Research; Lee, J.W., 2014. “Will the renminbi emerge as an international reserve currency?”, *The world economy*, 37(1), pp.42-62;

They argue that China's conservative attitude in liberalizing its financial regulations render the RMB unlikely to be a major reserve currency worldwide in the foreseeable future. Quantitatively speaking, in the ideal condition, the RMB should have accounted for around 10% in the international currency reserve thanks to China's economic fundamentals, but due to the closeness and narrowness of the Chinese financial market, particularly the limited convertibility of the RMB and the regulated capital account, the real proportion turns out to be as low as 2%. In international payment terms, the RMB only takes 1.22% share and the 8th role.³⁵¹ However, the advent of an international currency is not only a market-based but also a counter-market process, and the latter weighs more.³⁵² As Benjamin Cohen argues, "the great currency's issuer was also a great power".³⁵³ In this regard, China still tentatively pushes forward RMB internationalization within the restricted financial framework. Economically speaking, the acceptance of a currency is primarily determined by network externality, internal and external price and the liquidity of the domestic market. Liberalizing regulations on these terms in order, China has developed over 30 currency swap partners,³⁵⁴ cultivated offshore RMB markets,³⁵⁵ adjusted the RMB exchange rate index algorithm,³⁵⁶ established the Shanghai-Hong Kong Stock Connect (沪港通) and the Shenzhen-Hong Kong Stock Connect (深港通),³⁵⁷ introduced the RMB Qualified Foreign Institutional Investor (RQFII), established the Cross Border Interbank Payment System (CIPS)³⁵⁸

McDowell, D. and Steinberg, D.A., 2017. "Systemic Strengths, Domestic Deficiencies: The Renminbi's Future as a Reserve Currency", *Journal of Contemporary China*, 26(108), pp.801-819; Eichengreen, B. and Kawai, M. eds., 2015. *Renminbi internationalization: Achievements, prospects, and challenges*. Brookings Institution Press.

³⁵¹ SWIFT, RMB Tracker, <https://www.swift.com/our-solutions/compliance-and-shared-services/business-intelligence/renminbi/rmb-tracker/document-centre?tl=en#topic-tabs-menu>.

³⁵² Li Wei, Partners, "Systems and International Currencies: An International Political Foundation for the Rise of RMB", *Chinese social science*, No.5, 2016. (李巍:《伙伴、制度与国际货币——人民币崛起的国际政治基础》,《中国社会科学》)

³⁵³ Cohen, B.J., 2015. *Currency power: understanding monetary rivalry*. Princeton University Press, pp.2.

³⁵⁴ People's Bank of China, Currency swap partners form by PBC till July, 2017, <http://www.pbc.gov.cn/huobizhengceersi/214481/214511/214541/3353326/index.html>.

³⁵⁵ Feng Yongqi, *Research on the formation and development of the CNY offshore market in Hong Kong*, PhD dissertation, Jilin University, 2012, pp.65. (冯永琦:《香港人民币离岸市场形成与发展研究》,《吉林大学博士论文》)

³⁵⁶ China Money, RMB exchange rate index algorithm explanation V1.1 <http://www.chinamoney.com.cn/fe/Info/35154907>.

³⁵⁷ Xinhua Net, Shanghai-Hong Kong Stock Connect opens the gate today <http://www.xinhuanet.com/finance/zhuanli/zhengce/zt7.htm>; Xinhua Net, Shenzhen-Hong Kong Stock Connect formally open today, http://news.xinhuanet.com/finance/2016-12/05/c_129390425.htm.

³⁵⁸ Shanghai Stock Exchange, What is QFII and RQFII? <http://english.sse.com.cn/investors/qfii/what/>; People's Bank of China, The CIPS (2nd term) is fully operational, <http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/3531144/index.html>.

and has been incorporated into the Special Drawing Right (SDR) currency basket.³⁵⁹ All these endeavors jointly establish an expandable structure for RMB internationalization. However, only when China eases its financial restrictions to a greater extent can RMB internationalization make critical headway.

Concurrently, thanks to the identity as “the center of production and trade”, China tries to persuade its trade partners to bypass US dollar settlement and turn to “loans for infrastructure”, “loans for commodities” or barter. In this sense, the RMB credit is anchored on Chinese goods and services. The acceptance of a currency is chiefly determined by three factors: firstly, if the holders can purchase most of the goods and services it demands from the issuer; secondly, if the issuer’s credibility is widely accepted in the world; Thirdly, if the issuer’s financial market is free and broad enough. Compared with the latter two, it is more practical for China to realize the first one in the foreseeable future. Given China’s identity as “the center of production” and the largest trade partner of over 130 countries, the RMB is somewhat equivalent to “legal tender” for them to pay for Chinese goods, infrastructures and services. Moreover, since most of these countries are in a huge trade deficit to China, trading in the RMB is conducive to balance their BOP. For instance, in terms of import origin, goods from China account for 34% of Kenya’s imports, 32% of Ethiopian and 30% of Pakistani.³⁶⁰ In the total \$5.2bn Sino-Kenyan trade, Kenya’s deficit was \$4.87bn; in the \$3bn Sino-Ethiopian trade, Ethiopia’s deficit was \$2.3bn; and in the \$15.8bn Sino-Pakistani trade, Pakistan’s deficit was \$12.5bn.³⁶¹ While in the BRI, projects such as “the special lending for BRI construction” are partly financed in the RMB and “government concessional loans” are 100% financed in RMB, signifying China’s determination to

³⁵⁹ Sina, PBC: RMB was formally incorporated to SDR currency basket, <http://finance.sina.com.cn/china/gncj/2016-10-01/doc-ixfwkzyk0780334.shtml>

³⁶⁰ The Observatory of Economic Complexity, Ethiopia, <https://atlas.media.mit.edu/en/profile/country/eth/>; Kenya, <https://atlas.media.mit.edu/en/profile/country/ken/>; Pakistan, <https://atlas.media.mit.edu/en/profile/country/pak/>.

³⁶¹ The Foreign Ministry of the PRC, Sino-Kenya relations, https://www.fmprc.gov.cn/web/gjhdq_676201/gj_676203/fz_677316/1206_677946/sbgx_677950/; Sino-Ethiopia relations, https://www.fmprc.gov.cn/web/gjhdq_676201/gj_676203/fz_677316/1206_677366/sbgx_677370/; People.cn, Pakistan ratifies RMB can be used in Sino-Pakistan trade, <http://money.people.com.cn/n1/2018/0105/c42877-29746712.html>.

push forward the RMB usage with the BRI.³⁶² As a result, in the \$440bn fund provided by Chinese financial institutions to the BRI, around 11% is offered in the RMB (\$48bn, ¥ 320bn).³⁶³ Additionally, the RMB settlement ratio in China's cross-border trade has reached 12.72% in the fourth quarter of 2018.³⁶⁴ Therefore, it should be noted that China's political influence plays a significant role in boosting the RMB status and bypassing the US dollar in China-related business and the BRI, reinforced by the productive capacity of "the center of production". RMB internationalization keeps pace with China's progress towards "the center of production and trade", making China's productive capacity the RMB's anchor.

Furthermore, taking advantage of the role of the largest energy and resource importer, China has initiated de-dollarization in financial terms. As mentioned before, China has promoted deals of "loan, manufacturing or infrastructure for energy or resources" in a number of countries with close trade relations with China, seeking to weaken the US dollar's influence in the upstream imports. China further expands de-dollarization to the financial sector, remarkably in the crude oil settlement. China has introduced the crude oil futures denominated in the RMB in the Shanghai International Energy Exchange (INE), a China-led counterpart of the West Texas Intermediate (WTI) and the Brent Crude. Thanks to China's economic scale, the INE became the third-largest crude oil future exchange in the world in only three months, only secondary to the WTI and Brent. In terms of market share, the INE has accounted for 16% of the world trading volume, dragging the WTI down from 60% to 52% while Brent dropped from 38% to 32%.³⁶⁵ In this way, China has stepped into the US dollar-denominated crude oil market, in which \$1.5 trillion oil and \$5 trillion derivatives are traded annually, seeking

³⁶² Xinhua Net, the CDB loans the RMB special financing credit for the BRI to Egypt for the first time, http://www.xinhuanet.com/silkroad/2017-09/18/c_1121682631.htm; China International Contractors Association, The introduction of "two preferential" loans, <http://www.chinca.org/cms/html/files/2013-12/16/20131216102948872930302.pdf>.

³⁶³ Xinhua Net, Yi Gang: Promoting the BRI construction by an opening financial sector of China, http://www.xinhuanet.com/money/2019-04/26/c_1124418553.htm.

³⁶⁴ Bank of China, The Cross-Border RMB Index for the 4th Quarter of 2018, http://www.bank-of-china.com/aboutboc/bi1/201904/t20190419_15136872.html.

³⁶⁵ Cankao Xiaoxi, The Shanghai International Energy Exchange has been ranked among top three in terms of trading volume in the world, <http://www.cankaoxiaoxi.com/finance/20181207/2363772.shtml>.

to free itself from “petrodollar recycling”.³⁶⁶ However, it is noteworthy that the market volume of financial derivatives has reached \$544 trillion in 2018, according to the Bank for International Settlements (BIS). Also, the US dollar accounts for an 88% share in the forex contracts. Therefore, instead of “petrodollar recycling”, the global financial market mainly denominated in the US dollar should be recognized as a much stronger pillar of US dollar hegemony.³⁶⁷ In this sense, the impacts of China’s de-dollarizing actions should not be overstated. Being restricted by the inherent flaws of the RMB and the Chinese financial market, what China can do is no more than withdraw itself from supporting US dollar hegemony in the financial market, far from challenging the US dollar’s predominance. Presently speaking, both RMB internationalization and de-dollarization are designed to reduce China’s reliance on the US dollar, which can cut the cost as “the center of production and trade”. That is the reason why China tends to adopt an indirect approach to undermine US dollar hegemony.

In conclusion, in the short-medium term, de-dollarization is the principal monetary ambition for China while establishing an expandable framework to push forward RMB internationalization is the secondary. When China has defined de-Americanization and becoming “the center of production and trade” as its primary strategic objectives, it is counterproductive and precarious for China to keep overreliance on the US dollar. Considering the US tends to abuse the exorbitant privilege of the US dollar, it is to the detriment of China to hold the US dollar as the major forex reserves. However, restrained by its inherent flaws, the RMB is unlikely to be a rival of the US dollar in the foreseeable future. Therefore, China adopts an indirect approach of de-dollarization to withdraw its support for US dollar hegemony. China’s identity as the largest producer, trader and importer empowers it to persuade its trade partners to accept RMB settlement or barter to pay for Chinese goods and services. Thus, China takes the BRI as a critical instrument to push forward de-dollarization, in order to be “the center of production

³⁶⁶ Reuters, Saudi Arabia threatens to ditch dollar oil trades to stop NOPEC, <https://uk.reuters.com/article/us-saudi-usa-oil-exclusive/exclusive-saudi-arabia-threatens-to-ditch-dollar-oil-trades-to-stop-nopec-sources-idUKKCN1RH008>.

³⁶⁷ Bank for International Settlements, OTC derivatives outstanding, <https://www.bis.org/statistics/derstats.htm>.

and trade” at a lower cost.

5.2 Sino-Russian Energy Cooperation and De-Dollarized Global Energy Settlement

Complementary to China’s strategic objective of becoming “the center of production”, Russia’s ambition is to become “the center of energy”.³⁶⁸ Given the fact that energy contributes around 50% of Russia’s exports and government revenue, Russia needs to consolidate its status as one of the leading energy producers and exporters of the world. Russia is also prompted to interfere in the Middle East to acquire the leverage to influence the world energy price, preventing the US from dictating affairs in this region.

Russia is an irreplaceable partner in restoring China’s economic sovereignty. In terms of economy, Russia’s energy not only lays the foundation for China’s energy safety but also facilitates China’s push towards de-dollarization in energy settlement and RMB internationalization in the long run. Geographically speaking, with the melting of the Northern Sea Route (NSR), Russia’s role in connecting East Asia with Europe will be reinforced. Together with the CR express, Russia is indispensable to China’s ambition of becoming “the center of trade”. Geopolitically speaking, Russia’s friendship is vital to China’s northern security. In terms of strategic objectives, China and Russia share common interests in balancing the US. Concerning the international order, as China regards the UN as its legitimacy source in the PIO, Russia’s support in the UNSC is crucial for China to restore the PIO to counter the prevailing LIO. Based on the above-mentioned factors, Sino-Russian relations seem solid and cementing.

³⁶⁸ Rosneft, Towards Ideals of Eurasian Integration, https://www.rosneft.com/upload/site2/attach/2/Verona_2017_presentation.pdf.

5.2.1 Aggressiveness on a Weakening Foundation: A Decrepit Russia and Sino-Russian Cooperation

As Emperor Alexander III of Russia has alleged, “Russia has only two allies: the Army and the Navy.”³⁶⁹ As a parody, Russia has only two allies nowadays as well: oil and natural gas. Take the figures in 2018 for instance, mineral fuels exports took up 52.9% of the total Russian exports with \$237.36bn and contributed over 46% of the federation’s fiscal revenue. In comparison, the value of the second largest export item, iron and steel, was only \$23.4bn and accounted for 5.2% of the total. Using export items as the indicators to measure Russia’s industrial capabilities, it is notable that the exports of Russian arms was \$19bn, machinery (including computers) was \$9.2bn, 2% and electrical machinery and equipment accounted for \$4.9bn, or 1.1%.³⁷⁰ Therefore, owing to the lackluster and declining industrial system, Russia is somewhat compelled to be “the center of energy”, in order to maintain its basic function and support its shaky national prestige.

Given Russia’s outdated industrial structure and limited economic strength, Russia has no other reliable instrument than the depreciating military legacy left by the former Soviet Union. In this way, when confronted with the West trying to “tear out the Russian bear’s teeth and claws”,³⁷¹ Russia tends to swagger and resort to military methods, which results in a negative spiral of Russia-Western relations.³⁷² When protecting other relatively peripheral interests, Russia still has few options but to rely on the military leverage, which inevitably leads to the militarization of diplomacy. As the Syrian war has shown, Russia’s military expenditure hit a record high of 28% of total revenue in 2016, and took 23.2% and 18.9% in 2015 and 2017 respectively.

³⁶⁹ Tass, Putin agrees with emperor that Russia’s only allies are Army and Navy, <http://tass.com/russia/789866>.

³⁷⁰ World’s Top Export, Russia’s Top 10 Exports, <http://www.worldstopexports.com/russias-top-10-exports/>; The Moscow Times, Russia’s Arms Exporter Sold \$19Bln Worth of Weapons in 2018, Official Says, <https://www.themoscowtimes.com/2018/11/01/russias-arms-exporter-sold-19-billion-worth-weapons-2018-ceo-says-a63380>; Ministry of Finance of the Russian Federation, Annual report on execution of the federal budget, <https://www.minfin.ru/en/statistics/fedbud/>.

³⁷¹ President of Russia, News conference of Vladimir Putin, <http://en.kremlin.ru/events/president/news/47250>.

³⁷² Payne, K.B. and Foster, J.S., 2017. “Russian strategy Expansion, crisis and conflict”, *Comparative Strategy*, 36(1), pp.1-89; Kuhrt, N. and Feklyunina, V., 2017. *Assessing Russia’s Power: A Report*, pp.11.

Nevertheless, Russia's seeming victories gained by the militarized diplomacy not only deplete Russia's resources but also deteriorate its relation with the West, substantially compressing Russia's elbow room. The annexation of Crimea, the conflicts in Eastern Ukraine and the 2008 Russo-Georgian War should not be perceived as the symbols of Russia's power and triumph, but instead its weakness and diplomatic bankruptcy. In effect, since the early Yeltsin era, Russia has attempted to assert primacy, or "first among equals" and "privileged interests" in the Commonwealth of Independent States (CIS), which is interpreted as Russia's Monroe Doctrine in the West.³⁷³ In this way, the CIS should still be regarded as Russia's forward security zone as in the Cold War, which is determined by geopolitics and realpolitik. Taking other factors into consideration, such as domestic politics and the ethnic, historical and imperial identity of Russia, geopolitics is still the primary source driving Russia's assertiveness.³⁷⁴ Thus, in the face of NATO's eastward enlargement seeking to remove Ukraine and other buffer states out of its orbit, Russia is provoked to retaliate against "the West's fault" and "the liberal delusions" in the CIS, Georgia and Ukraine, exhibiting Russia's determination of anchoring the CIS as its buffer zone and preventing the CIS from reorienting to the West.³⁷⁵ Accordingly, some realists, such as Zbigniew Brzezinski and Henry Kissinger, suggest the "Finnish Model", i.e., widely-ranging economic relations with both Russia and the EU but no participation in any military alliance against Russia, is a practical choice for the CIS countries.³⁷⁶ Therefore, it is evident that Russia has been too weak to restrain the West from infiltrating into Russia's traditional sphere of influence. Even in this area where Russia has home advantage, Russia still has no other option than the military. In terms of geopolitics, Russia has not only lost the Eastern Bloc but also Ukraine, rendering Russia's geopolitical condition worse than in the early era of Peter

³⁷³ Allison, R., 2013. *Russia, the West, and military intervention*. OUP Oxford, pp.120-149; Kotkin, S., 2016. "Russia's Perpetual Geopolitics: Putin Returns to the Historical Pattern", *Foreign Aff.*, 95, pp.2.

³⁷⁴ Allison, R., 2014. "Russian 'deniable' intervention in Ukraine: how and why Russia broke the rules", *International Affairs*, 90(6), pp.1255-1297.

³⁷⁵ Mearsheimer, J.J., 2014. "Why the Ukraine crisis is the West's fault: the liberal delusions that provoked Putin", *Foreign Aff.*, 93, pp.77.

³⁷⁶ Brzezinski, Z., 2014. "Russia needs to be offered a Finland option for Ukraine", *Financial Times*, 22, p.A4; Kissinger, H., 2014. "How the Ukraine crisis ends", *The Washington Post*, 6, pp.2014.

the Great, i.e., being deprived of the geopolitical achievements accumulated for 300 years.³⁷⁷

Given Russia's reliance on energy exports, the West is disposed to undermine Russia's power by compressing its energy export market. Russia's natural gas exports to the EU is a noticeable case. The Russian supplies made up for 40% of the EU's demand with 200.8 bcm in 2018, which appears to be effective leverage to influence the EU's policy for Russia.³⁷⁸ However, of Russia's 225 bcm total exports in 2018, the EU accounted for 90%, underlying the importance of the EU market to Russia and Russia's vulnerability in this term.³⁷⁹ In this regard, for the purpose of further crippling Russia, the US has come to compete with Russia for the lucrative EU market. Firstly, the US firmly opposes the Nord Stream 2 importing Russian natural gas, which is supposed to increase 55 bcm annual capacity and bypass Ukraine.³⁸⁰ Secondly, US liquefied natural gas (LNG) exports had spiked 272% and rose to 13.4% share of world LNG market from 2.3% when the US agreed to strengthen the US-EU energy ties in July 2018.³⁸¹ Thirdly, the US also urges other LNG suppliers, remarkably Qatar, the largest LNG exporter, to supply more LNG to the EU, in order to encroach on Russia's market share.³⁸² Despite the fact that Russia's natural gas supplies can hardly be fully replaced in the EU, Russia's power is bound to be weakened owing to the shrinking revenue from the EU.

Therefore, due to the mutually-reinforcing between Western hostility and Russian

³⁷⁷ Friedman, G., 2008. "The Geopolitics of Russia: permanent struggle", *GEOPOLITICS*, 10, pp.15.

³⁷⁸ Eurostat, EU imports of energy products - recent developments, https://ec.europa.eu/eurostat/statistics-explained/index.php/EU_imports_of_energy_products_-_recent_developments#Overview; GAZPROM Export, Gas supplies to Europe, <http://www.gazpromexport.ru/en/statistics/>.

³⁷⁹ President of Russia, Meeting with Energy Minister Alexander Novak, <http://en.kremlin.ru/events/president/news/59660>.

³⁸⁰ Reuters, US maintains option of sanctions related to Nord Stream 2: Perry, <https://www.reuters.com/article/us-energy-poland/u-s-maintains-option-of-sanctions-related-to-nord-stream-2-perry-idUSKBN1ND2CW>; GAZPROM, Nord Stream 2, <http://www.gazprom.com/projects/nord-stream2/>.

³⁸¹ European Commission, US liquefied natural gas exports up by 272% as EU and US host High-Level Business-to-Business Energy Forum, http://europa.eu/rapid/press-release_IP-19-2313_en.htm#_ftn1; US Energy Information Administration, Natural Gas Imports and Exports, https://www.eia.gov/energyexplained/index.php?page=natural_gas_imports.

³⁸² Reuters, US wants Qatar to challenge Russian gas in Europe -US official, <https://www.reuters.com/article/usa-energy-gulf/u-s-wants-qatar-to-challenge-russian-gas-in-europe-u-s-official-idUSL8N1ZE1XG>.

aggressiveness, Russia's resources are depleted while its economic pillars are shaken. Thus, Russia's activities can be summarized as "forced aggressiveness on a weakening foundation". This thesis argues that such a Russia, i.e., "forced aggressiveness" against the West and "weakening foundation" upon China, is in the best interests of China. A feeble Russia being hostile to the West not only relieves China of the northern pressure but also forestalls the possibility that Russia cooperates with the West to contain China. Russia's assertiveness can also serve China as a shield to distract US attention and resources from China. Besides, owing to the compressed geopolitical space and the depleted economic source, Russia seems to hold fewer bargaining chips in relations with China, enabling China to take the upper hand and gain a larger breathing space.

Historically speaking, the mighty northern empires had remained the principal strategic nightmare to all "central plain" (中原) dynasties perennially. As early as in 200 BC, the Xiongnu Empire once succeeded in laying siege to Emperor Liu Bang, the founder of the Han Dynasty in the Battle of Baideng (白登之围). In modern history, the Russian Empire had grabbed the lion's share of territory from the Qing Empire, imposing the Treaty of Aigun, the First Convention of Peking (Qing-Russia), the Treaty of Tarbagatai and the Treaty of Saint Petersburg (Treaty of Ili) upon China to plunder territory as massive as 1.54 million square km.³⁸³ During the Cold War, when the initial honeymoon was over, the former Soviet Union had turned out to be the primary menace to China, propelling China to seek détente with the West to hedge Soviet's aggressiveness.³⁸⁴ To a larger geopolitical extent, Russia's stance on the relations with China tests a historical theorem: whether Russia, as the dominating power of the "heartland", will stand by the side of offshore sea powers to balance the rise of "rimland" powers, as it did in allying with Britain and the US in the Napoleon Wars and the two World Wars to check France and Germany. In this sense, although Russia's power was no longer what it has been in the former Soviet era, China is still haunted by the anxiety

³⁸³ Fairbank, J.K. and Twitchett, D. eds., 2014. *The Cambridge History of China: Volume 10, Late Ch'ing 1800 1911 (Vol. 10)*. Cambridge University Press.

³⁸⁴ Ross, R.S., 2016. *China, the United States and the Soviet Union: Tripolarity and Policy Making in the Cold War: Tripolarity and Policy Making in the Cold War*. Routledge; Lüthi, L.M., 2010. *The Sino-Soviet split: Cold War in the communist world*. Princeton University Press.

that Russia may consort with maritime powers to contain the rising “rimland” powers, if Russia is ambivalent about its identity and geopolitical choice. Thus, China’s strategic security is greatly improved when Russia is hostile towards the West.

In practice, a series of “loan for energy” agreements and advance payments from China fuels Russia’s assertiveness. Specifically speaking, in 2009, China and Russia signed a “loan for oil” agreement, in which Russia pledged to provide China with 300 million tons of oil in the following 20 years in exchange for a \$25bn loan with a 6% interest rate. In 2013, China signed another \$270bn contract with Russia to gain 360 million tons of oil in the future 25 years. In 2014, China once again reached a \$400bn natural gas agreement with Russia, which is set to attain 38 bcm annual exports gradually and last for 30 years. China’s advance payment is also indispensable for sustaining Russia’s assertiveness. In 2015, China paid \$15bn to Russia as the advance payment of the 2013 contract, which had considerably alleviated Russia’s pressure from Western sanctions.³⁸⁵ Also, China’s loan to Russia from other channels, such as the \$62bn China Development Bank (CDB) loan, provided liquidity to Russia to bypass sanctions.³⁸⁶ Therefore, the strengthening energy tie between China and Russia turns out to be a “killing two birds with one stone” strategy for China, i.e., meeting China’s surging energy demand economically while sustaining Russia’s assertiveness to shield China from a greater part of the West’s hostility strategically.

³⁸⁵ Yilmaz, S. and Daksueva, O., 2017. “The energy nexus in China–Russia strategic partnership”, *International Relations of the Asia-Pacific*, 19(1), pp.63-88; People.cn, “Loan for oil”, China and Russia both get what they want, <http://finance.people.com.cn/GB/71364/8833006.html>; People.cn, China and Russia sign a 25 years oil contract worth \$270 billion, <http://finance.people.com.cn/n/2013/0623/c1004-21938308.html>; People.cn, China and Russia sign a \$400 billion natural gas contract which lasts for 30 years, <http://energy.people.com.cn/n/2014/0522/c71661-25048784.html>; Reuters, Rosneft to double oil flows to China in \$270 billion deal, <https://uk.reuters.com/article/us-rosneft-china/rosneft-to-double-oil-flows-to-china-in-270-billion-deal-idUSBRE95K08820130621>; Cankao Xiaoxi, Russia receives huge amount of oil pre-payment from China, <http://www.cankaoxiaoxi.com/finance/20151117/999159.shtml>.

³⁸⁶ RT, The China Development Bank has loaned \$62 billion in total to Russia, <http://sputniknews.cn/china/201604231018961712/>.

5.2.2 Energy, Connectivity and De-Dollarization: The Foundation of Sino-Russian Cooperation

Energy cooperation constitutes the foundation of Sino-Russian “comprehensive strategic partnership of coordination”, i.e., the cooperation between “the center of production” and “the center of energy”. Regarding Sino-Russian relations and the overland connection, China can count on Russia’s supplies for energy security and the foundation of RMB-denominated energy. Furthermore, concerning Russia’s location in the Eurasian Continent, Russia is pivotal in the CR express and the melting NSR, which underlines Russia’s significance in China’s blueprint of Eurasian connectivity.

Russia has surpassed Saudi Arabia to be China’s top crude oil supplier since 2016. In 2018, Russia’s supplies attained 71.5 million tons, accounting for 15.5% of China’s total imports, overtaking Saudi Arabia’s 56.7 million tons. When the second Sino-Russia oil pipeline is put into operation, Russia will be able to export 30 million tons annually overland, doubling the previous capacity. Against the backdrop that China imported 462 million tons of crude oil in 2018 and the export-reliance rate has reached 69.8%, Russia’s supplies turn out to be the mainstay of China’s energy security.³⁸⁷ In terms of natural gas, given the fact that Russia owns the largest natural gas reserves (35 trillion cubic meters, accounting for 18.1% of total world reserves) and over half of them are located in Siberia, Russia is poised to become the major supplier of China in both pipeline natural gas and LNG, especially when taking energy security into consideration.³⁸⁸ The Power of Siberia pipeline, which had started to deliver gas to China in early December 2019, has 38 bcm capacity. Regarding LNG, China can acquire 3 million tons of LNG from the Yamal LNG project from 2019.³⁸⁹ However, it seems to be a tall order for Russia to satisfy China’s ever-growing appetite for clean

³⁸⁷ Jiemian, China’s crude oil imports in 2018, <https://www.jiemian.com/article/2825374.html>.

³⁸⁸ British Petroleum, BP Statistical Review of World Energy June 2018, <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2018-full-report.pdf>, pp.26.

³⁸⁹ Xinhua Net, Yamal LNG project reaches full production capacity, http://www.xinhuanet.com/english/2018-12/12/c_137666821.htm.

energy. In 2018, China has become the largest natural gas importer with 125.7 bcm imports, recording a 30.3 bcm, 31% increase from 2017.³⁹⁰ For the purpose of meeting this surging demand, China has imported 54 million tons of LNG, which is more flexible than pipeline supplies, accounting for 53% of its natural gas consumption domestically China has also consumed 60% of the LNG production increment of the world in 2018, as high as 16 million tons.³⁹¹ According to the conservative estimate of the International Energy Agency (IEA), China's imports are projected to reach 171 bcm by 2023.³⁹² China is building a growing number of LNG terminals, in preparation to accommodate the increasing LNG imports. By April 2019, China owned 21 LNG terminals with 80 million tons capacity, while 48 more with 192 million tons capacity will be completed by 2023, signaling a bold estimate of China's future gas consumption.³⁹³ It is expected that China's energy demand will keep rocketing, given its determination to become "the center of production" and improve its people's living standards. On this point, Russia's energy supplies are valued as the cornerstone of China's energy demand economically and strategically.

Driven by the mounting energy hunger, China is supposed to further engage in Russia's energy exploitation, consolidating Russia's role as the "first among equals" supplier. The \$27bn Yamal LNG project is the incarnation of the deepening Sino-Russian energy cooperation, signaling the cooperation that has extended to the upstream rights dimension. Because Novatek, the principal shareholder of this project, was under Western sanctions, China earned an opportunity to finance this project by offering a \$12bn loan, constituted of the Euro (\$10.7bn) and the RMB (\$1.5bn). The China National Petroleum Corporation (CNPC) and the Silk Road Fund hold 20% and 9.9% share of this project respectively.³⁹⁴ Following this project, CNPC and China National

³⁹⁰ GAZPROM, Gazprom and CNPC discuss planned supplies of Russian gas to China, <http://www.gazprom.com/press/news/2019/february/article474954/>.

³⁹¹ Jiemian, China's LNG imports increase accounted for 60% of that of the world in 2018, <https://www.jiemian.com/article/2946438.html>.

³⁹² International Energy Agency, Gas 2018: Analysis and forecasts to 2023, <https://www.iea.org/gas2018/>.

³⁹³ Jiemian, China will build 68 LNG terminals before 2023, <https://www.jiemian.com/article/2666769.html>;

Jiemian, China imported 53 million tons of LNG in 2018, <https://www.jiemian.com/article/3006676.html>.

³⁹⁴ LNG World News, Yamal LNG secures \$12 billion from Chinese bank, <https://www.lngworldnews.com/yamal-lng-secures-12-bln-from-chinese-banks/>.

Offshore Oil Corporation (CNOOC) further cooperated with Novatek on the Arctic LNG 2 project and acquired a 20% share.³⁹⁵ In this way, in these 16.5 million tons and 20 million tons capacity projects, China grasps a 30% and a 20% share respectively. At the same time, China has developed the relative industrial and engineering capabilities for the exploitation and operation of the projects in the Arctic. In the Yamal LNG project, Chinese corporations reaped \$12bn revenue and valuable Arctic engineering experience.³⁹⁶ For shipping back the Arctic LNG to China, China is actively developing its home-built LNG carrier. In 2018, *among 76 LNG carrier orders worldwide*, South Korea grabbed 66 of them while China only got 5. As far as South Korean orders are concerned, 65 orders were 170,000 cubic meter LNG carrier, which is designed for transporting 0.1bcm LNG per carrier. China is redoubling its efforts to catch up with South Korea. Presently speaking, China has domesticized the 170,000 cubic meter carrier and is on the way to develop the technology for the 270,000 cubic meter carrier, which clearly demonstrates its ambitions in domesticizing the whole process of the LNG production and transportation.³⁹⁷

The NSR, i.e., the shipping route connecting East Asia with Europe through the melting Arctic Ocean, is estimated to substantially enhance Eurasian connectivity and further strengthen China's connectivity with the countries in the Northern Hemisphere. In parallel with the CR express, the NSR is another higher-speed route for Eurasian connectivity via Russia, which makes it a priority in Sino-Russian cooperation. According to the Russian ambassador to China, Russia eyes China's infrastructure and investment to exploit the Arctic resource and shipping routes.³⁹⁸ According to China's Arctic policy, China defines itself as an "important stakeholder" and "Near-Arctic

³⁹⁵ Novatek, NOVATEK and CNOOC/CNOOC Sign Entrance Agreement to Arctic LNG 2, http://www.novatek.ru/en/press/releases/index.php?id_4=3173; http://www.novatek.ru/en/press/releases/index.php?id_4=3174.

³⁹⁶ People.cn, The new oil and natural gas cooperation pattern illustrated from the Yamal LNG project, <http://energy.people.com.cn/n1/2018/0227/c71661-29836790.html>.

³⁹⁷ Guancha, China is to develop the largest LNG carrier in the world, https://www.guancha.cn/ChanJing/2019_04_02_496120.shtml.

³⁹⁸ South China Morning Post, Russia seeks Chinese support in developing Arctic shipping routes, promising long-term gas supplies in return, <https://www.scmp.com/news/china/diplomacy/article/3006794/russia-seeks-chinese-support-developing-arctic-shipping-routes>.

state”, prioritizing developing the Arctic shipping routes and entitling it the “polar silk road”, echoing President Vladimir Putin’s proposal to link the NSR with the MSR.³⁹⁹

Theoretically speaking, compared with the traditional Cape of Good Hope and Suez Canal routes connecting East Asia with Europe (from Shanghai to Rotterdam), the NSR is predicted to save 42% and 24% distance respectively, which makes it an underlying artery of global trade, from which Russia is projected to benefit the most. In this regard, Russia’s 2035 ambition anticipates that the NSR will be “safe and lucrative”, and Russia plans to pour as high as 10% of its total investment into the Arctic. Also, Russia aims to attract \$160bn private investment to this region by a series of favorable policies, such as tax preferences.⁴⁰⁰ Putin’s presidential executive order on Russia’s strategic objectives to 2024 has clearly included it as Russia aims to increase the cargo traffic through the NSR to 80 million tons, four times that in 2018. Hence, the NSR is made a critical part of Russia’s “spatial development strategy”, which seeks to enhance Russia’s corridor role connecting East Asia and Europe.⁴⁰¹ In effect, with the forecasted melting of the Arctic, the traffic is experiencing “explosive growth”, surging from 10.7 million tons of goods in 2017 to 18 million tons in 2018, a 68% growth.⁴⁰² In terms of commercial operation, a vessel of Maersk, the largest shipping group in the world, has made its maiden voyage to “gain exceptional operational experience”, indicating the commercial value of this route has been taken into consideration by the global logistics industry.⁴⁰³ China’s LNG carriers have chosen the NSR to ship back LNG, which cuts the time by half to 19 days.⁴⁰⁴ Moreover, for fully exploiting the NSR,

³⁹⁹ The State Council of the PRC, China’s Arctic Policy, http://english.gov.cn/archive/white_paper/2018/01/26/content_281476026660336.htm; Sputnik, Putin Proposes Tying China’s Maritime Silk Road with Russian Northern Sea Route, <https://sputniknews.com/business/201904271074510132-putin-northern-sea-route-belt-road/>.

⁴⁰⁰ President of Russia, Putin’s Speech and answers to questions at the plenary session of 5th International Arctic Forum, <http://en.kremlin.ru/events/president/news/60250>; The Barents Observer, Russia is building a new Arctic. With private money, <https://thebarentsobserver.com/en/2019/04/russia-building-new-arctic-private-money>.

⁴⁰¹ President of Russia, The President signed Executive Order On National Goals and Strategic Objectives of the Russian Federation through to 2024, <http://en.kremlin.ru/events/president/news/57425>.

⁴⁰² The Barents Observer, Explosive growth in Russian Arctic shipping, <https://thebarentsobserver.com/en/arctic-industry-and-energy/2018/12/explosive-growth-russias-arctic-shipping>.

⁴⁰³ The Guardian, Melting Arctic ice opens new route from Europe to east Asia, <https://www.theguardian.com/world/2018/sep/28/melting-arctic-ice-opens-new-route-from-europe-to-east-asia>.

⁴⁰⁴ Jiemian, The first carrier of Yamal LNG arrives at China through the NSR, <https://www.jiemian.com/article/2320813.html>.

China proposes to build a 33,000-ton nuclear icebreaker, equivalent to Russia's Project 22220-class in size, the largest nuclear icebreaker in the world. In consequence, theoretically speaking, when China's icebreakers join forces with the Russian fleet with 30 diesel and 4 nuclear icebreakers, China and Russia are hopeful of keeping the NSR operating all year round.⁴⁰⁵ In contrast to relatively optimistic politicians and businessmen, the academic mainstream is inclined to emphasize the negative variables for the NSR, including higher requirements to ship, overdue infrastructure and uncertain weather and navigating conditions. They argue that the NSR's advantages in the shorter distance and cheaper toll might be offset by those negative factors which can hardly be alleviated in the foreseeable future.⁴⁰⁶ In such a case, Russia will be obligated to remove those obstacles before it can fully exploit the NSR's value. As a matter of fact, as mentioned above, the actual situation of the NSR is more positive than the estimations of academia. Hence, it is predicable that both China and Russia will try their best to overcome the obstacles in the way of the NSR by policies and technology, in order to maximize the NSR's impacts for better realizing their strategic objectives. Therefore, this thesis is cautiously optimistic about the NSR's future in the medium-long term.

In terms of finance, the warming Sino-Russian energy cooperation sends a clear message of de-dollarization. Thanks to the largest buyer status and relatively diversified sources, China is in a better position to persuade its suppliers to accept the RMB, barter or other de-dollarized ways of settlement.⁴⁰⁷ Russia's firm support in trading energy in a de-dollarized way substantially facilitates this process. Under mounting US sanctions, Russia has prioritized de-dollarization in its financial schedule. Echoing Putin's

⁴⁰⁵ RT, China building its first nuclear-powered icebreaker to enter the Arctic, <https://www.rt.com/business/454674-china-biggest-nuclear-ship/>.

⁴⁰⁶ Buixadé Farré, A., 2014. "Commercial Arctic shipping through the Northeast Passage: routes, resources, governance, technology, and infrastructure", *Polar Geography*, 37(4), pp.298-324; Pruyn, J.F., 2016. "Will the Northern Sea Route ever be a viable alternative?", *Maritime Policy & Management*, 43(6), pp.661-675.

⁴⁰⁷ World's Top Exports, Top 15 Crude Oil Suppliers to China, <http://www.worldstopexports.com/top-15-crude-oil-suppliers-to-china/>; US Energy Information Administration, China surpassed the United States as the world's largest crude oil importer in 2017, <https://www.eia.gov/todayinenergy/detail.php?id=34812>; CNBC, China will "compel" Saudi Arabia to trade oil in yuan — and that's going to affect the US dollar, <https://www.cnbc.com/2017/10/11/china-will-compel-saudi-arabia-to-trade-oil-in-yuan--and-thats-going-to-affect-the-us-dollar.html>.

assertion that Russia will “break” with the US dollar to restore its “economic sovereignty”, Russia has dumped over 84% of its US Treasury securities as much as \$81bn while increasing its gold holdings, which occupies as much as 18.5% of its forex reserves. Meanwhile, Russia has boosted the national currency trade with China, and the ratio of the RMB settlement imports from China has skyrocketed to 15% in 2017 from 2% in 2015. Upon these premises, Russia shares substantial interests with China in promoting de-dollarized settlement not only in energy trade but also in other realms.⁴⁰⁸ Similar to crude oil that buttresses US dollar hegemony in commodity trade, the fact that natural gas is gaining weight in global energy consumption earn the denomination currency of natural gas a chance to play a significant role in commodity trade as well, even on a par with the US dollar. Therefore, thanks to China’s growing demand and Russia’s surging supply, they are well-prepared to lay the foundation for another leading currency in the international monetary system, encroaching on US dollar predominance in global commodity trade.

Given the fact that most of the top natural gas suppliers are free from the US influence, the geographical distribution of natural gas is likely to weaken US dollar supremacy. In terms of natural gas reserves, Russia holds the largest reserves (35 trillion cubic meters, tcm), followed by Iran (33.2 tcm), Qatar (24.9 tcm) and Turkmenistan (19.5 tcm) while the US (8.7 tcm) and Saudi Arabia (8 tcm) are ranked fifth and sixth, disproportionately smaller than the top four. The US dollar’s influence in the top natural gas suppliers is further crippled by Qatar, which is in dispute with Saudi Arabia, in harmony with Iran and planning to leave the Organization of the Petroleum Exporting Countries (OPEC).⁴⁰⁹ More strategically, US dollar hegemony is predicted to be further undermined by the Euro which will probably become the denomination currency of

⁴⁰⁸ Bloomberg, Putin Wants to “Break” With the Dollar but Dumps Euros Instead, <https://www.bloomberg.com/news/articles/2018-05-10/putin-wants-to-break-with-the-dollar-but-dumps-euros-instead>; CNN, Russia dumped 84% of its American debt, <https://money.cnn.com/2018/07/30/investing/russia-us-debt-treasury/index.html>; The Central Bank of the Russian Federation, International Reserves of the Russian Federation, https://www.cbr.ru/eng/hd_base/mrrf/mrrf_m/; RT, Cutting out the US dollar: Russia & China boost national currencies trade, <https://www.rt.com/business/429229-russia-china-national-currencies/>; RT, Petro-yuan helps Russia & China dump US dollar in oil trade, <https://www.rt.com/business/422472-russia-china-petro-yuan/>.
⁴⁰⁹ The New York Times, Why Is Qatar Leaving OPEC?, <https://www.nytimes.com/2018/12/10/opinion/qatar-leaving-opec-saudi-arabia-blockade-failure.html>.

natural gas. The EU is ambitious in trading energy in the Euro, as Jean-Claude Juncker declared, “it is absurd that Europe pays for 80% of its energy import bill – worth €300 billion a year – in US dollars when only roughly 2% of our energy imports come from the United States.”⁴¹⁰ The EU’s aspiration is supported by Russia and Iran, the top two natural gas owners. Being confronted with US sanctions and the weaponized US dollar, Russia is inclined to prioritize the Euro as its primary transaction currency.⁴¹¹ Similarly, under US sanctions, Iran also turns to build a payment mechanism bypassing the US financial system to trade Iran’s oil in the local currencies or barter, with the EU’s help.⁴¹² Therefore, natural gas establishes a platform upon which the Euro can extend its influence beyond Europe. In a broader sense, except for the US, nearly most of the major players in the global energy realm, the EU, Russia, China and Iran, share interests in denominating energy in the Euro or other de-dollarized approaches. Anchored in the Euro-denominated or de-dollarized natural gas settlement, the US dollar’s dominance in the commodity transaction realm seems to be undermined in the long run.

In conclusion, China is expected to benefit the most from a decrepit Russia which is forced to build aggressiveness on a weakening foundation. Under such a circumstance, China can alleviate its geopolitical anxiety, namely, Russia’s potential threat to China’s northern border and a possible alliance with maritime powers to check China, while counting on Russia to ensure China’s energy security and promoting the de-dollarized trade of energy and other commodities. Geographically speaking, Russia’s central position in the Eurasian Continent makes it irreplaceable for China to build tighter connectivity with Europe and enhance Eurasian integration by the CR express and the NSR. Furthermore, considering the growth of natural gas consumption, China, Russia and the EU seem to join hands to associate the Euro and other de-dollarized settlements

⁴¹⁰ European Commission, STATE OF THE UNION 2018, THE HOUR OF EUROPEAN SOVEREIGNTY, https://ec.europa.eu/commission/sites/beta-political/files/soteu2018-speech_en_0.pdf.

⁴¹¹ Bloomberg, Putin Is Throwing His Weight Behind the Euro, <https://www.bloomberg.com/opinion/articles/2018-11-28/russia-is-shunning-dollar-assets-and-getting-behind-the-euro>.

⁴¹² The New York Times, Iranian Official Says Oil Deal with Europeans is Close Despite Threat of US Sanctions, <https://www.nytimes.com/2018/09/29/us/politics/iran-trump-zarif.html>; Financial Times, EU seeks to bypass US sanctions on Iran with trade finance tool, <https://www.ft.com/content/04ef404e-b826-11e8-b3ef-799c8613f4a1>.

with natural gas trade, seeking to erode the US dollar's dominance in commodity trade and US dollar hegemony in the long run. Therefore, this thesis suggests that Sino-Russian relations will develop in a stable way in the coming years, which sets the foundation for China to trade upstream resources in a de-dollarized way and restore its economic sovereignty in the long term.

5.3 De-Dollarized Upstream Energy and Resources Supplies: The Bedrock of a China-Centered Global Production Network

As “the center of production”, a future China is bound to be the largest importer of a series of commodities. For instance, China imports 63% iron ore of the world, followed by Japan's 8.3% and South Korea's 5.1%, while regarding copper ore, China imports 43%, followed by Japan's 14% and India's 7.6%.⁴¹³ China's oil and natural gas external dependence has been 70% and 45% respectively and keeps mounting. In this sense, given such massive demand and high external reliance, China is driven to seek cheap supplies economically, stable supplies politically as well as de-dollarized and de-Americanized supplies strategically. China has adopted five methods to mitigate the contingent risks, i.e., diversifying supply sources, securing part of upstream resource rights, exploiting more resources to increase supplies, cooperating with major suppliers and settling in a de-dollarized way. The concerted efforts of these methods reinforce China's domination over the upstream resource supply chain, thus enhance China's economic safety and independence.

A critical impetus for China to pursue upstream energy and resource rights is to make better use of its enormous forex to reach its strategic goals. That is to say, China tries to convert the unproductive US dollar and financial asset to the productive energy and resource asset. Presently speaking, China holds over \$3 trillion forex reserves as

⁴¹³ The Observatory of Economic Complexity, Iron Ore, <https://atlas.media.mit.edu/en/profile/hs92/2601/>; Cooper Ore, <https://atlas.media.mit.edu/en/profile/hs92/2603/>.

globally accepted credit. China is also pushing forward de-dollarized settlements around the globe, seeking to anchor the credit of the RMB on China's enlarging and upgrading productive capacity. In this regard, the core logic of the global capital market has changed: capital and credit are neither scarce nor monopolized by the West, thus the value of capital and credit relatively depreciates while that of the premium assets relatively appreciates. Presently speaking, China is expanding its capital and credit across the world through development finance institutions (DFIs) such as the Asian Infrastructure Investment Bank (AIIB) in the multilateral channel, by policy banks such as the CDB in the bilateral channel, by commercial banks such as the Industrial and Commercial Bank of China (ICBC) in the commercial channel, and by "loan for resources" in the project channel. Thanks to such a financial framework, China can get access to more upstream resources, easing its way towards becoming "the center of production". As a matter of fact, the market price of the upstream resource is outshone by the potential loss caused by the volatility of the upstream resource market, regardless of the strategic profits such acquisitions are supposed to bring about. Put simply, a single Rio Tinto espionage scandal has cost China as high as \$100bn.⁴¹⁴ In comparison, take the Simandou project in Guinea for example. As an iron ore mine projected to meet as much as 10% of China's annual demand, its available shares amount to only \$1.3bn while the expenditures for all the supporting infrastructures are around \$23bn, most of which can be contracted to Chinese enterprises. Therefore, economically and strategically speaking, China is driven to acquire more upstream resources with its forex reserves and financial assets, through which to support its identity as "the center of production".

As getting access to more resources is China's primary strategic objective, China takes a relatively neutral stance in the disputes in the areas with abundant resources. The pros and cons of this diplomacy have been fully considered by academia. Take the Middle

⁴¹⁴ The Guardian, China escalates Rio Tinto spying row, <https://www.theguardian.com/business/2009/aug/09/china-rio-tinto-industrial-espionage>.

East for instance. China is inclined to be neutral and takes no side in geopolitics.⁴¹⁵ Positively speaking, thanks to its limited presence and interests compared with other major powers in this region, China's role as a neutral great power is widely accepted, which provides China with the elbow room to push forward its "quasi-mediation diplomacy". Negatively speaking, China's low regional engagement and marginal involvement prevent it from impacting this region effectively.⁴¹⁶ Given the context that the risks are mounting and economic and political factors are intertwined more closely, China's economic diplomacy, i.e., seeking economic welfare but striving to avoid political side-effects, seems to be more impractical.⁴¹⁷ Taking the ongoing debate into consideration, this thesis argues that despite the mounting uncertainties in the Middle East and the BRI, China's economic diplomacy is still effective in practice, proven by China's growing economic presence and interests in these regions. As the market-based globalization of Chinese enterprises is the foundation of the BRI's sustainability, the essence of China's diplomacy in BRI countries evolves into ensuring Chinese enterprises acquire more upstream rights and running their overseas branches safely. Thus, considering China's power projection capabilities fall short of covering the entire BRI, China is obliged to keep neutral and flexible in its diplomacy in order to manage the contingent risks. A remarkable example is the arrangement of Chairman Xi Jinping's state visit in January 2016, who visited Saudi Arabia, Egypt and Iran in one trip.⁴¹⁸ Xi's state visit indicates that China's neutral stance is accepted by the local great powers. Meanwhile, thanks to China's identity as a neutral great power, the local entities have no motive to violate China's interests in most cases. Therefore, China's "choosing no side" strategy, or strategic ambiguity, has been proven effective and practical in creating larger elbow room to protect its growing but defenseless interests.

⁴¹⁵ Evron, Y., 2017. "China's diplomatic initiatives in the Middle East: the quest for a great-power role in the region", *International Relations*, 31(2), pp.125-144.

⁴¹⁶ Sun, D. and Zoubir, Y., 2018. "China's Participation in Conflict Resolution in the Middle East and North Africa: A Case of Quasi-Mediation Diplomacy?", *Journal of Contemporary China*, 27(110), pp.224-243; Evron, Y., 2019. "The Challenge of Implementing the Belt and Road Initiative in the Middle East: Connectivity Projects under Conditions of Limited Political Engagement", *The China Quarterly*, 237, pp.196-216.

⁴¹⁷ Sun, D. and Zoubir, Y.H., 2015. "China's Economic Diplomacy towards the Arab Countries: challenges ahead?", *Journal of Contemporary China*, 24(95), pp.903-921.

⁴¹⁸ Xinhua Net, Xi Jinping visits Saudi Arabia, Egypt and Iran, <http://www.xinhuanet.com/world/cnleaders/xijiping/xjpcf1601/index.htm>.

China's extensive cooperation with both Iran's "Shia Crescent"⁴¹⁹ and Saudi Arabia's Gulf Cooperation Council (GCC) is the best illustration. To the "Shia Crescent", China has been Iran's chief cooperator since it was sanctioned by the US. Economically speaking, Iran's plentiful energy reserves, namely, the fourth-largest oil reserves (157.2bn barrels) and the second-largest natural gas reserves (33.2 tcm), meets China's energy demand and is critical to China's ambition of embedding its interests in the upstream energy and resource settlement. Strategically speaking, given Iran's anti-American attitude, China and Russia need to support Iran to prevent the US from monopolizing the Middle East and the global energy market. Therefore, China has conducted a series of projects ranging from energy to railways in Iran. In 2017, the value of projects under construction had reached \$26bn.⁴²⁰ Thanks to its flexible diplomacy, China is also acceptable to GCC countries, among which Sino-Saudi relations serve as an exemplar. As the largest importer of Saudi Arabia's crude oil, China has earned a substantial number of engineering projects and oilfield service contracts. More remarkably, China plays a crucial role in propelling the Saudi Vision 2030 program, which is intended to reduce Saudi's overdependence on oil through diversifying its economic pillars. Hence, based on its neutral and flexible diplomacy, China has accumulated 150 million tons of overseas oil rights and interests up to 2017, most of which are located in relatively unstable areas. Coupled with 192 million tons of domestic productions, China's total oil production has reached 342 million tons, accounting for 56% of its 610 million tons of annual consumption, making China the fourth-largest producer only behind Russia, Saudi Arabia and the US.⁴²¹

Besides acquiring the upstream rights from relatively mature suppliers, China also eyes

⁴¹⁹ For further reading about this concept, please see Barzegar, K., 2008. *Iran and the shiite crescent: Myths and realities*. Brown J. World Aff., 15, p.87; Fabrice Balanche, From the Iranian Corridor to the Shia Crescent, https://www.hoover.org/sites/default/files/research/docs/balanche_iraniancorridor_pdf.pdf.

⁴²⁰ Xinhua Net, CNPC's construction in Iran under the BRI framework, http://www.xinhuanet.com/2018-02/15/c_1122421242.htm; Financial Times, What China has done in Iran, <http://www.ftchinese.com/story/001074542>.

⁴²¹ Xinhua Net, China's overseas oil and natural gas interests break 190 million tons, http://www.xinhuanet.com/finance/2018-03/28/c_1122600407.htm; US Energy Information Administration, International oil production rank in 2017, <https://www.eia.gov/beta/international/index.cfm?view=production>.

under-exploited upstream resources in the BRI. By introducing these supplies in the global market, China is able to keep the price lower and utilize its forex reserves more strategically. Holding these rights also enables China to broker better deals with other suppliers, which is conducive to promoting de-dollarized trade. Because of China's investments and the concurrent infrastructure constructions for resource accessibility, suppliers can better integrate themselves into the global division of labor based on comparative advantage, which paves the way for their sustainable development.

Sino-African cooperation contributes the best illustration of this win-win cooperation. Although rich in resources, Africa is hindered by limited access to the global market, being restrained from fully tapping into its dormant resources. Before China went abroad to seek resources around the globe, Africa's bargaining power was critically undermined by the relatively monopolistic Western techniques and capital economically, not to mention the former suzerain-vassal relations politically. In this sense, benefitting from the fiercer competition between China and the West, Africa is likely to gain a better bargaining position and participate in the global division of labor on a more even playing field. Moreover, given the fact that China's primary objective is to get access to upstream resources and China can also internalize the positive externalities of Africa's development (will be illustrated in Chapter Six), China vows to offer aid with no political strings attached, which is helpful for African countries to restore their economic sovereignty.

Take iron ore and bauxite for instance. Iron ore is the largest imported commodity of China. In 2017, China imported 1.07bn tons of iron ore. Australia and Brazil were the top two sources, supplying 670 million and 230 million tons and accounting for 62.2% and 21.3% of the total imports respectively.⁴²² Therefore, China tends to pursue more diversified sources and takes more rights to reinforce its bargaining power. China takes the Simandou project in Guinea as a valuable bargaining chip. As the largest untapped

⁴²² The General Administration of Customs of the PRC, The import amount and value of iron ore increase in 2017, <http://www.customs.gov.cn/customs/302249/302274/jcyjfxwz/jcyjfxwz39/1454454/index.html>.

and high-grade iron ore in the world, this project owns over 2bn tons of proven reserves (5bn tons in total) and the annual output is expected to reach 100 million tons, tantamount to 10% of China's total demand. The Aluminum Corporation of China has acquired the controlling power and shares from Rio Tinto with \$1.3bn, and is reported to control all four blocks of this mine. For the purpose of transporting iron ore out from this landlocked mine, \$23bn of infrastructure, composed of 650 km of railway, 35 bridges, 24 km of tunnels and a deep-water seaport are on the schedule, which are supposed to be contracted by Chinese enterprises.⁴²³

Guinea's bauxite offers another case. Presently speaking, although China's domestic reserves only account for 3% of the world's total reserves, China supplies almost one-quarter of the world's bauxite in an unsustainable approach. In addition, among China's bauxite imports in 2017, the top two suppliers were Guinea and Australia, accounting for 40% and 37% respectively with 27.6 million and 25.4 million tons. For improving the accessibility of Guinea's resources as well as consolidating China's hold on the overseas bauxite, China has pledged to lend Guinea \$20bn for 20 years to build highways, ports, electric transmission lines and universities, guaranteed by three major bauxite projects located in Boffa of Guinea.⁴²⁴ The China Harbor Engineering Company has signed \$770 million of contracts with Guinea to upgrade Conakry port into one of the largest in Western Africa, offering better access for Guinea's increasing resource exports.⁴²⁵

This "resource for infrastructure" model has been typical for China to cooperate with

⁴²³ Rio Tinto, About Simandou, <http://www.riotinto.com/energyandminerals/simandou-4695.aspx>; Financial Times, Timeline: the battle for Simandou, <https://www.ft.com/content/5d8f250e-bc0c-11e3-831f-00144feabdc0>; Reuters, Chinalco proposes taking entire Guinea Simandou iron ore mine, <https://www.reuters.com/article/us-guinea-mining-chinalco-exclusive/exclusive-chinalco-proposes-taking-entire-guinea-simandou-iron-ore-mine-idUSKCN18B1QL>; The Paper, Can China's SOEs digest the Simandou, http://www.thepaper.cn/newsDetail_forward_1559757.

⁴²⁴ Reuters, China to loan Guinea \$20 billion to secure aluminum ore, <https://uk.reuters.com/article/us-guinea-mining-china/china-to-loan-guinea-20-billion-to-secure-aluminum-ore-idUKKCN1BH1YT>; Ministry of Commerce of the PRC, Guinea exports 27.6 million bauxite to China in 2017 and keeps the position as the largest origin, <http://www.mofcom.gov.cn/article/i/jyj/k/201802/20180202708071.shtml>; US Geological Survey, Mineral Commodity Summaries, <https://minerals.usgs.gov/minerals/pubs/commodity/bauxite/mcs-2018-bauxi.pdf>.

⁴²⁵ Reuters, Guinea inks \$770 mln contract with Chinese firm to develop main port, <https://www.reuters.com/article/guinea-economy/guinea-inks-770-mln-contract-with-chinese-firm-to-develop-main-port-idUSL8N1CU6UA>.

Africa and BRI countries rich in resources. In terms of free trade, this is a textbook model of cooperation which is based upon the comparative advantages of both sides, namely, combining China's infrastructure with Africa's resources. In terms of political economies, this is a win-win model of cooperation in which both sides harvest what it needs the most. Through such a win-win model, China makes better use of its forex reserves to reach its strategic goals, namely, exerting firmer control over upstream supplies to manage volatility and uncertainty. To a lesser extent, upstream resource exploitation expands the market for China's infrastructure exports. In 2017 and 2018, the new contracts signed with BRI countries reached \$144bn and \$126bn, accounting for 54.4% and 52% of China's total overseas contracts.⁴²⁶ Meanwhile, both the local government and the people of Africa stand to benefit from the stable revenue and the concurrent infrastructures made available through the win-win cooperation. Take the Simandou project as an example. The Guinean government holds a 15% share of the Simandou project automatically, which can generate stable dividend revenue. The annual income tax and royalty payment are expected to reach \$1bn, which is more than 75% of the entire revenue of the Guinean government in 2013. In this way, the Simandou project and the affiliated industrial chain are supposed to become the pillar of the Guinean economy, which have propelled the Guinean GDP to double from 2011 to 2019 from \$6bn to \$12.6bn, and is estimated to triple to \$18bn by 2024, according to the IMF.⁴²⁷ This project is also projected to create 50,000 direct and indirect working positions sustainably, which will set the cornerstone of the Guinean middle class.⁴²⁸ Meanwhile, the supporting infrastructure built for resource accessibility is predicted to substantially reduce economic inequalities in the welfare of the people, summarizing from the big data collected from over 32,000 subnational localities around the world.⁴²⁹ Therefore, at the national level, such a "resource for infrastructure" model can help the

⁴²⁶ Ministry of Commerce of the PRC, China's cooperation and investment to the BRI in 2017 and 2018, <http://www.mofcom.gov.cn/article/tongjiziliao/dgz/201801/20180102699459.shtml>; <http://www.mofcom.gov.cn/article/tongjiziliao/dgz/201901/20190102829086.shtml>.

⁴²⁷ IMF, Guinea GDP, <https://www.imf.org/external/datamapper/NGDPD@WEO/GIN>.

⁴²⁸ Rio Tinto, Simandou Economic Impact Report, http://www.riotinto.com/documents/RT_Simandou_Economic_Impact_Report_EN.pdf.

⁴²⁹ AIDDATA, Chinese infrastructure investments reduce inequalities in developing countries, <https://www.aiddata.org/blog/chinese-infrastructure-investments-reduce-inequalities-in-developing-countries>.

recipients develop pillar industries and build the supporting infrastructure, at the people level, they can gain better access to modernization and working positions.

In conclusion, given China's goal of becoming "the center of production", one of the primary strategic objectives of the BRI is to get access to more upstream energy and resources and trade them in a de-dollarized way. For realizing this goal, China's BRI diplomacy is characterized by a neutral posture politically and exploiting energy and resources and constructing infrastructure economically. In a broader sense, thanks to a firmer control over the upstream supply chain, China seems to manage "the center of production" at a lower cost economically and lower uncertainty politically. Meanwhile, China is obliged to identify a win-win model to benefit BRI countries sustainably, in order to perpetuate cooperation with China. Presently speaking, the "infrastructure for resource" model is on the top of China's schedule. In this way, China earns a broader market to export its goods, services and capital, while the recipients get a chance to cultivate the pillar industries based on comparative advantages and be integrated into the global supply chain, which sets the foundation for their sustainable development. In this sense, the BRI is designed to foster an upstream-downstream labor division between China and BRI countries, which paves the way for China to build a de-dollarized and China-centered global production network.

5.4 Conclusion

In conclusion, this chapter draws a greater picture of China's strategy of building a de-dollarized and China-centered global production network, making China "the center of production" of the world. This greater ambition is made of two parts, the first is de-dollarization and the second is getting access to more upstream resources. In the first part, although de-Americanization has been ranked among China's prioritized strategic objectives, China has been virtually mired in the dollar trap and turns out to be the primary supporter of US dollar hegemony counterproductively. Driven by this dilemma,

China attempts to make better use of its massive forex reserves and promotes de-dollarization by anchoring its credit on production. On this point, Sino-Russian energy cooperation sets the foundation while China takes its identity as the largest resource importer and infrastructures and goods exporter as leverage to persuade other suppliers to adopt de-dollarized settlement. In the second part, China seeks to exploit and acquire more upstream resources in order to hedge the volatility of the market and lower the price. China chiefly adopts the “infrastructure for resource” model to promote de-dollarized trade with BRI countries and build their relations on shared interests. In this way, China seems to keep Sino-BRI countries relations on a positive track, through which to achieve the goal of becoming “the center of production” at a lower cost economically and strategically.

Chapter Six: China's Attempt to be a Norm-Maker: The China Model and the Development-Oriented Approach of Governance

As illustrated in Chapter Two, being profoundly influenced by the “central kingdom” mindset, China is driven to go beyond “the center of production and trade” in material terms, and extend its pursuits to “the center of thoughts” in conceptual terms. The Chinese official narratives define a “community with a shared future for mankind” as the ultimate pursuit of China’s diplomacy, implying an inherited universalism in Chinese thoughts for solving the common dilemmas besetting human beings. Additionally, the clash of interests between China and the US and the West is exaggerated and simplified as a struggle between “democracy and freedom versus authoritarianism” by Western media. Thus, China’s overseas interest expansion, notably the BRI, is susceptible to the West’s prevailing discursive power. Therefore, from the Chinese perspective, in response to the West’s distorting and destructing discursive power, China has to build its own discursive power on an alternative set of norms and values summarized from its approach of governance, especially when the BRI is increasingly dominating the agenda of China’s diplomacy.

There have been some works examining China’s attempt to set its norms and rules with its growing power, focusing on how China challenges the universalism of neoliberal norms and LIO discourse.⁴³⁰ In more detail, the existing works tend to adopt a destructive approach to deny neoliberal norms from the Chinese perspective, but they overlook the constructive part of the problem, namely, what kind of concepts China would propose to complement or replace the neoliberal ones. Given China’s strategic tradition, the Marxist principle that the economic base determines the superstructure shapes China’s approach of constructing theory. Based on its impressive economic

⁴³⁰ Zhang, Y., 2016. “China and liberal hierarchies in global international society: power and negotiation for normative change”, *International Affairs*, 92(4), pp.795-816; Hodzi, O., 2018. “Delegitimization and ‘Re-socialization’: China and the Diffusion of Alternative Norms in Africa”, *International Studies*, 55(4), pp.297-314.

performance, the Chinese government tends to summarize its experiences and theorize them as the “China Model”, upon which to build its discursive power. In this way, development is supposed to be the core concept of China’s discourse, which is enshrined as the largest consensus of China’s society and should be the consensus of other developing societies in the Chinese view. On this point, the BRI emphasizing development seems to become a critical tool to shape China’s discursive power. As shown in the World Bank’s quantitative model, the infrastructure part of the BRI alone is estimated to boost as high as 3.4% GDP of participating countries while 2.9% for the whole world.⁴³¹ Such economic performance has the potential to legitimize China’s alternative governing approach.

As shown by Ikenberry and others, international rules and norms are largely the externalization of the domestic rules and norms of the world’s leading powers, thereby their interests are embedded in the order institutionally.⁴³² The values and norms of China also represent China’s interests, which enshrine stability and development. Accordingly, the China Model can be summarized as a development-oriented approach of governance, in which infrastructure is viewed as the premise for economic growth and development is deemed the value orientation of governance. The multilateral institutions China champions also indicate that China attempts to make its values and norms accepted internationally. Thanks to the identity of “the world’s factory” and the aspiration to become “the center of production and trade”, China is on the way to build the capabilities of internalizing the positive externalities of development of developing countries and the whole world through commerce, which propels China to contribute more international public goods to global economic governance. Therefore, China is expected to take advantage of the BRI to advance its norms and values, seeking to redefine international norms and values and reshape global governance more favorable

⁴³¹ The World Bank, Common Transport Infrastructure A Quantitative Model and Estimates from the Belt and Road Initiative,

<https://openknowledge.worldbank.org/bitstream/handle/10986/31496/WPS8801.pdf?sequence=4&isAllowed=y>.

⁴³² Ikenberry, G.J., 2011. *Liberal Leviathan: The origins, crisis, and transformation of the American world order* (Vol. 128). Princeton University Press; Foot, R., MacFarlane, S.N. and Mastanduno, M. eds., 2003. *US hegemony and international organizations: the United States and multilateral institutions*. Oxford University Press.

to its interests.

6.1 An Alternative Approach of Governance: The China Model and the Development-Oriented Norms and Values

For the purpose of expanding China's overseas interests in a relatively value-neutral environment and de-ideologizing the BRI, China seeks to propose an alternative set of rules, values and norms of governance to challenge neoliberal universalism and the Washington Consensus. However, Chinese scholars have yet to develop a complete set of theories to rationalize what China is doing and why China wants to do so. They end in conceiving a series of concepts suffixed "with Chinese characteristics", which means these concepts can hardly be universalized as an alternative approach of governance. Similarly, as ambiguous as other concepts suffixed "with Chinese characteristics", China's way of development is summarized as the China Model, highlighting stability and development.⁴³³ According to mainstream arguments, this concept was coined by Joshua Ramo in 2004.⁴³⁴ However, Zhang Weiwei, who used to be the interpreter of Deng Xiaoping, suggested that Deng had already adopted this idea in as early as 1980, and his interpreter team had translated it as the China Model by then.⁴³⁵ These different provenances signal contrasting approaches to interpret the China Model, namely, focusing on "China" or "model". In other words, the Chinese and the Western understanding of the China Model differs in constructing it as a system that can be duplicated or an elusive set of developing experiences of China.

Presently speaking, the mainstream of academia tends to focus on "China" concerning the China Model. As a number of scholars have illustrated, the China Model should be

⁴³³ For the literature review about the China Model, please see Zhao, S., 2017. "Whither the China model: revisiting the debate", *Journal of Contemporary China*, 26(103), pp.1-17; Ferchen, M., 2013. "Whose China Model is it anyway? The contentious search for consensus", *Review of International Political Economy*, 20(2), pp.390-420.

⁴³⁴ Ramo, J.C., 2004. "China has discovered its own economic consensus", *Financial Times*, 7.

⁴³⁵ Zhang Weiwei, "China may go dissolution without adhering to the China Mode in the past four decades", https://www.guancha.cn/culture/2019_03_06_492496_s.shtml.

taken neither as an original brainchild of China nor as a “one size fits all” developing approach like the Washington Consensus. Theoretically speaking, the China Model boils down to a way of development and a variant of the East Asian Model. In academia, this approach can be traced back to Friedrich List’s political economy and Ha-Joon Chang’s attempt to “find back the ladder kicked away”, which runs counter to dominant neoliberal theories.⁴³⁶ As a matter of fact, the China Model takes reference from quite a few principles of the Washington Consensus. According to Scott Kennedy, China may follow as many as eight of the ten tenets of the Washington Consensus,⁴³⁷ while the major divergences are state will, self-reliance and inclusiveness.⁴³⁸ Therefore, in terms of originality and theorization, the China Model is far from a well-developed governing framework.

However, viewed through a historical lens, the China Model should be better regarded as the recurrence of traditional Chinese governance methods. The essence of this way of governance is “Bianhu Qimin”(编户齐民), i.e., the central government takes control of nationals directly by household registration, bypassing intermediaries (such as feudal aristocracy) to mobilize the whole nation’s resources to fulfill national goals. From the planned economy before the 1980s to the existing market economy with industrial policies, though the presence of some radical movements, such as the Great Leap Forward, China’s pragmatic logic has seldom changed: allocating resources to achieve national goals. In terms of political ethics, the China Model follows Oriental collectivism, in contrast to neoliberalism inheriting Western individualism. In the China Model, the bureaucracy (executive branch) holds the central place in the national structure, being responsible for setting national goals and mobilizing resources to fulfill them. As argued by Francis Fukuyama, China has an outstanding state capacity and

⁴³⁶ Zhao, S., 2010. “The China Model: can it replace the Western model of modernization?”, *Journal of contemporary China*, 19(65), pp.419-436; Breslin, S., 2011. “The ‘China model’ and the global crisis: from Friedrich List to a Chinese mode of governance?”, *International Affairs*, 87(6), pp.1323-1343; Chang, H.J., 2002. *Kicking away the ladder: development strategy in historical perspective*. Anthem Press.

⁴³⁷ Kennedy, S., 2010. “The myth of the Beijing Consensus”, *Journal of Contemporary China*, 19(65), pp.461-477; Williamson, J., 2012. “Is the “Beijing Consensus” now dominant?”, *Asia Policy*, (13), pp.1-16.

⁴³⁸ Naughton, B., 2010. “China’s distinctive system: can it be a model for others?”, *Journal of Contemporary China*, 19(65), pp.437-460; Li, X., Brødsgaard, K.E. and Jacobsen, M., 2010. “Redefining Beijing Consensus: ten economic principles”, *China Economic Journal*, 2(3), pp.297-311.

state-building.⁴³⁹ Zheng Yongnian entitles the CPC an “organizational emperor”, which holds the supreme place in China’s ruling structure and wields the imperial power to fulfill national goals.⁴⁴⁰ Daniel Bell emphasizes China’s meritocracy as the organizing method of governance, which can cooperate with the organizational emperor to reach good governance more efficiently.⁴⁴¹ Thus, the China Model should be better recognized as statecraft than academic theory, which focuses more on how to achieve good governance than how to theorize and universalize an approach. That is to say, China tends to repudiate institutional determinism. As Samuel Huntington suggests, “the most important political distinction among countries concerns not their form of government but their degree of government.”⁴⁴² According to Francis Fukuyama, good governance is measured by state capacity and bureaucracy’s autonomy.⁴⁴³ The UN lists standards, transparency, responsibility, accountability, participation and responsiveness as the key attributes of good governance.⁴⁴⁴ Thus, the political system is not directly related to governance while government capacity is a more crucial variable determining governance. On this point, proven by the fact that different countries have contrasting performances when adopting neoliberalism, the recipients will certainly reach distinctive ends after following the China Model as well. Therefore, considering the impressive performance of the China Model in China relies on China’s outstanding state capacity, it is debatable that the China Model alone can boost developing countries to the development degree of China since most of them are still in state-building.

Furthermore, in the current Chinese political and economic context, the term “model” (模式) is so abused that any set of experiences can be named after a “model”, such as “the Pudong Model”, “the Shenzhen Model” and “the Sunan Model”. Moreover, referring to Mao Zedong’s “seek truth from facts” and Deng Xiaoping’s “crossing river

⁴³⁹ Fukuyama, F., 2017. *State building: Governance and world order in the 21st century*. Profile Books.

⁴⁴⁰ Yongnian, Z., 2009. *The Chinese Communist Party as organizational emperor: Culture, reproduction, and transformation*. Routledge.

⁴⁴¹ Bell, D.A., 2016. *The China model: Political meritocracy and the limits of democracy*. Princeton University Press.

⁴⁴² Huntington, S.P., 2006. *Political order in changing societies*. Yale University Press. pp.1.

⁴⁴³ Fukuyama, F., 2013. “What is governance?”, *Governance*, 26(3), pp.347-368.

⁴⁴⁴ United Nations, Good Governance and Human Rights, <https://www.ohchr.org/en/issues/development/goodgovernance/pages/goodgovernanceindex.aspx>.

by groping for stones”, as well as Xi Jinping’s “reform is always on the road”, this thesis contends that there are no fixed rules for the China Model and it is always in flux, as Xi Jinping states, “there is only the present continuous tense for reform, no perfect tense”. In this way, unlike the Washington Consensus with explicit doctrines, the China Model is characterized by flexibility, pragmatism and elasticity, which makes it elusive and nebulous for academics. In other words, the essence of the China Model is there is no settled universal model.

Therefore, it is misguided to research the China Model from the very definition of “model”, instead, the research should focus on “China” and how China takes advantage of it to advance soft power and discursive power. In other words, the China Model is more a “political concept” marking China’s attempt to build its own discursive power and challenge neoliberal universalism than an “academic concept” as rigorous as the Washington Consensus. According to the Chinese official statements, the China Model aims to “blaze a new trail for other developing countries to achieve modernization...and offers a new option for other countries and nations who want to speed up their development while preserving their independence.” It is obvious that China’s ambition is to develop the China Model as an alternative to the Washington Consensus. The thesis suggests that the primary difference between the China Model and the Washington Consensus lies in their attitude towards sovereignty and development. As illustrated in Chapter Three, following PIO principles, China regards state sovereignty as the overriding concept in IR, arguing a nation can decide its own affairs based on national interests and free of interference. The inviolability of state sovereignty enables weaker countries to seek shelter in PIO norms, which delegitimizes the interferences justified by LIO discourse.

The more important feature of the China Model is that development is enshrined as the primary value of governance. The China Model seeks to replace procedure-oriented neoliberal norms with value-neutral and performance-oriented development and economic growth. China’s experiences have proven stability and development are the

critical factors for achieving better economic and social performance, namely, good governance. Based on the China Model's performance in other countries, China seems to build its discursive power on such performance legitimacy.⁴⁴⁵ As a PIO proponent, China refers to UN norms to justify its understanding of development. According to the UN Declaration on the Right to Development, "development is a comprehensive economic, social, cultural and political process, which aims at the constant improvement of the well-being of the entire population", defining development in a comprehensive and value-neutral way.⁴⁴⁶ While the Sustainable Development Goals of the UN regards economic growth, improvements in education, health, social protection, job opportunities and environmental protection as the priorities to end poverty and reach sustainable development. On these points, as a developing country, China has roughly brought the UN Millennium Development Goals and Sustainable Development Goals to completion, thus China is confident about adopting UN standards to legitimate and promulgate the China Model.⁴⁴⁷ In theory, the China Model also shares a series of similarities with developmentalism and inclusive development, which enables China to theorize its development-oriented approach of governance on the existing literature on these two topics.⁴⁴⁸ In other words, due to the inadequate capabilities of the Chinese academia to invent a complete set of original theories, the Chinese government has to resort to existing theories on development to justify the practicality or universalism of the China Model. Likewise, China also takes advantage of UN norms and values to

⁴⁴⁵ For more information about performance legitimacy, please see Yang, H. and Zhao, D., 2015. "Performance legitimacy, state autonomy and China's economic miracle", *Journal of Contemporary China*, 24(91), pp.64-82; Zeng, J., 2014. "The debate on regime legitimacy in China: bridging the wide gulf between western and Chinese scholarship", *Journal of Contemporary China*, 23(88), pp.612-635.

⁴⁴⁶ United Nations General Assembly, Declaration on the Right to Development, <http://www.un.org/documents/ga/res/41/a41r128.htm>; The State Council Information Office of the PRC, The right to development: China's thoughts, practices and contributions, <http://www.scio.gov.cn/zfbps/ndhf/34120/Document/1532313/1532313.htm>; China Daily, The right to development is the unification of individual and collective human rights, http://china.chinadaily.com.cn/2016-12/07/content_27603789.htm; People.cn, The right to development in China, http://paper.people.com.cn/rmrbhwb/html/2016-12/07/content_1733576.htm.

⁴⁴⁷ United Nations, About the Sustainable Development Goals, <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>.

⁴⁴⁸ For literature about inclusive development, please see Teichman, J.A., 2016. *The politics of inclusive development: Policy, state capacity, and coalition building*. Springer; Felipe, J., 2012. *Inclusive Growth, Full Employment, and Structural Change: Implications and Policies for Developing Asia*. Anthem Press; Sachs, I., 2004. *Inclusive development strategy in an era of globalization*, International Labour Organization. For the history of development thoughts, please see Ascher, W., Brewer, G.D. and Cheema, G.S., 2016. *The Evolution of Development Thinking*. Palgrave Macmillan US.

build up the primacy of development in governance, which helps make the China Model and the BRI tools to fulfill UN goals worldwide.

Upon these, China seeks to embed the primacy of development in the norms of global governance in order to pave the way for the expansion of its overseas interests, which is manifested by the establishment of DFIs like the AIIB, and to a lesser extent, the New Development Bank (NDB). The practices of the AIIB also help China understand how to legitimate its special interests as a common one through rule and norm-setting as the US does.⁴⁴⁹ Presently speaking, Angela Merkel remarked, as “the existing system reacts far too slowly to change”,⁴⁵⁰ China fails to calibrate its voice and interests with national strength in global governance institutionally. For example, despite the fact that China is the second-largest economy in the world and the largest economy in Asia, taking up over 16% of the world's GDP and 40% of Asian GDP, China's voice in leading DFIs is disproportionately low compared to its economic scale.⁴⁵¹ Take the IMF and the Asian Development Bank (ADB) for instance. Although China is the third-largest shareholder in both DFIs, China's share only accounts for 6.41% in the IMF and 6.4% in the ADB, in comparison, the share of the US and Japan is 17.46% and 6.48% in the IMF respectively and are both 15.6% in the ADB, making their veto power fully guaranteed.⁴⁵² Seeing no hope to embed its values and interests in the existing structure proportionately and institutionally, China is compelled to set up new institutions to incorporate its growing interests and pursuits in global governance.

⁴⁴⁹ De Jonge, A., 2017. “Perspectives on the emerging role of the Asian Infrastructure Investment Bank”, *International Affairs*, 93(5), pp.1061-1084. Foot, R., MacFarlane, S.N. and Mastanduno, M. eds., 2003. *US hegemony and international organizations: the United States and multilateral institutions*. Oxford University Press; Karns, M.P. and Mingst, K.A. eds., 2003. *The United States and multilateral institutions: Patterns of changing instrumentality and influence*. Routledge; Andersen, T.B., Harr, T. and Tarp, F., 2006. “On US politics and IMF lending”, *European Economic Review*, 50(7), pp.1843-1862.

⁴⁵⁰ Federal Government of Germany, Speech by Federal Chancellor Angela Merkel at the 49th World Economic Forum Annual Meeting in Davos, <https://www.bundesregierung.de/breg-en/news/speech-by-federal-chancellor-angela-merkel-at-the-49th-world-economic-forum-annual-meeting-in-davos-on-23-january-2019-1574188>.

⁴⁵¹ Lipsy, P.Y. and Lee, H.N.K., 2019. “The IMF as a Biased Global Insurance Mechanism: Asymmetrical Moral Hazard, Reserve Accumulation, and Financial Crises”, *International Organization*, 73(1), pp.35-64; Güven, A.B., 2017. “Defending supremacy: how the IMF and the World Bank navigate the challenge of rising powers”, *International Affairs*, 93(5), pp.1149-1166.

⁴⁵² IMF, IMF Members' Quotas and Voting Power, and IMF Board of Governors, <https://www.imf.org/external/np/sec/memdir/members.aspx>; Asian Development Bank, Shareholders, <https://www.adb.org/site/investors/credit-fundamentals/shareholders>.

It is noteworthy that the standards China aims to set in new DFIs are roughly in line with those of existing DFIs, but the norms and values they follow are divergent. Take the AIIB for example. Contrary to the conventional wisdom that the AIIB will profoundly impact current global economic governance, the AIIB can hardly make critical differences in the short term, instead, it may strengthen ongoing rules, practices and norms.⁴⁵³ In practice, the AIIB is inclined to cooperate with existing DFIs rather than competing with them. Considering the wide gap between the available investment and the demand for infrastructure, the relations between these DFIs are complementary instead of competitive. However, even though China adopts some effective standards and measures of the Washington Consensus, China does not fully acknowledge the West's values and norms. In other words, concerning China's pragmatism, China is a standard-taker, but seeks to be a norm-maker in global governance.⁴⁵⁴ As Jin Liqun, the president of the AIIB argues, "Western standards and norms are not necessarily the best", explicitly indicating China's deep-rooted suspicions of the universalism of Western norms.⁴⁵⁵ In a broader sense, China takes a contrasting and complex attitude towards the establishment of the international order. As Alastair Iain Johnston argues, China shows both compliance and challenge to the current order, which could be measured in eight realms (i.e., international constitutive, military, political development, social development, trade, financial, environmental and information order).⁴⁵⁶ That is because China will pragmatically adopt the West's effective standards and measures to improve its own while repudiating the values and interests behind them. In fact, China tries to redefine a set of norms based on its interests.

⁴⁵³ Ikenberry, G.J. and Lim, D.J., 2017. *China's emerging institutional statecraft*. The Asian Infrastructure Investment Bank and the Brookings; Lichtenstein, N., 2018. *A Comparative Guide to the Asian Infrastructure Investment Bank*. Oxford University Press; Wang, H., 2017. "New multilateral development banks: Opportunities and challenges for global governance", *Global Policy*, 8(1), pp.113-118; Reisen, H., 2015. "Will the AIIB and the NDB help reform multilateral development banking?", *Global Policy*, 6(3), pp.297-304.

⁴⁵⁴ Ferdinand, P. and Wang, J., 2013. "China and the IMF: from mimicry towards pragmatic international institutional pluralism", *International Affairs*, 89(4), pp.895-910; Johnston, A.I., 2014. *Social states: China in international institutions, 1980-2000 (Vol. 144)*. Princeton University Press; Kent, A.E., 2009. *Beyond compliance: China, international organizations, and global security*. NUS Press.

⁴⁵⁵ Xinhua Net, Best standards are not Western standards, http://www.xinhuanet.com/world/2015-11/10/c_1117096256.htm.

⁴⁵⁶ Johnston, A.I., 2019. "China in a World of Orders: Rethinking Compliance and Challenge in Beijing's International Relations", *International Security*, 44(2), pp.9-60.

According to China's experiences, large-scale infrastructure construction is the premise for poverty reduction and sustainable development. Moreover, China's advantages in the infrastructure sector are also unrivaled. In this way, while other DFIs take poverty reduction as the principal objective directly, the AIIB tends to invest in infrastructure and take poverty-reduction as a byproduct of infrastructure to make it more sustainable. As the Article of Agreement shows, the AIIB's purpose is investing in infrastructure and other productive sectors to foster sustainable economic development, and in this regard to reduce poverty.⁴⁵⁷ Likewise, the purpose of the NDB, the BRICS's DFI, is stipulated as "mobilizing resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries", focusing on infrastructure and developing countries as well.⁴⁵⁸ Viewed from the list of projects of both the AIIB and the NDB, these two China-led DFIs exemplify infrastructure-centered standards in a multilateral way, demonstrating China's attempts to build up development-oriented and infrastructure-prioritized standards and norms in a consensus-based way in global governance.⁴⁵⁹ Because China is relatively weak in soft power and norm-setting credibility, China has to emphasize transparency, neutrality and multilateralism in these China-led DFIs for reassuring participants about procedural legitimacy.⁴⁶⁰ As credibility-making is a time-consuming process, in the foreseeable future, China is obliged to adhere to these norms. Consistent with the broader strategy of making norms, the AIIB and other DFIs adhere to the principles of "lean, clean and green".⁴⁶¹ In this way, the development-oriented China Model is likely to become the

⁴⁵⁷ Asian Infrastructure Investment Bank, Articles of Agreement, <https://www.aiib.org/en/about-aiib/basic-documents/articles-of-agreement/index.html>.

⁴⁵⁸ New Development Bank, Agreement on the New Development Bank – Fortaleza, July 15, <https://www.ndb.int/wp-content/themes/ndb/pdf/Agreement-on-the-New-Development-Bank.pdf>.

⁴⁵⁹ Asian Infrastructure Investment Bank, Approved Projects, <https://www.aiib.org/en/projects/approved/index.html>; New Development Bank, List of All Projects, <https://www.ndb.int/projects/list-of-all-projects/>.

⁴⁶⁰ Chen, Z. and Liu, Y., 2018. "Strategic Reassurance in Institutional Contests: Explaining China's Creation of the Asian Infrastructure Investment Bank", *Journal of Contemporary China*, 27(114), pp.795-810; Yu, H., 2017. "Motivation behind China's 'One Belt, One Road' initiatives and establishment of the Asian infrastructure investment bank", *Journal of Contemporary China*, 26(105), pp.353-368; Cai, K.G., 2018. "The one belt one road and the Asian infrastructure investment bank: Beijing's new strategy of geo-economics and geopolitics", *Journal of Contemporary China*, 27(114), pp.831-847; Hameiri, S. and Jones, L., 2018. "China challenges global governance? Chinese international development finance and the AIIB", *International Affairs*, 94(3), pp.573-593.

⁴⁶¹ LaForgia, R., 2017. "Listening to China's multilateral voice for the first time: analyzing the Asian Infrastructure Investment Bank for soft power opportunities and risks in the narrative of 'lean, clean and green'", *Journal of Contemporary China*, 26(107), pp.633-649; Akcadag Alagoz, E., 2018. "Creation of the Asian Infrastructure Investment Bank as a part of China's smart power strategy", *The Pacific Review*, pp.1-21.

core discourse of China's discursive power, making China a norm-maker in global governance in the future.

In conclusion, despite the fact that China has been partially socialized by neoliberal creeds and the China Model also refers to a series of standards and methods from the Washington Consensus, China adheres to values and norms that contrast with those of the West. By the same logic of China's adherence to UN authority for legitimacy in the PIO, China resorts to UN norms to promulgate its sovereign-centered and development-oriented approach of governance, seeking to challenge the universalism of neoliberalism. For elevating its development-oriented values to international norms, China has established a series of DFIs focusing on infrastructure. In this way, China aspires to transform the China Model into an alternative approach of governance to the Washington Consensus, in order to facilitate the expansion of its overseas interests.

6.2 The Economic Rationale for China's Development-Oriented Norms: Internalizing the Positive Externalities of Global Development through Commerce

The BRI and developing countries are regarded as perfect testing grounds for the China Model and China's development-oriented values and norms. Referring to China's experiences, development should be prioritized as the topmost issue to enable people to get access to modern welfare and fulfill the nominal rights promised by neoliberalism and the UN. Through building infrastructure and participating in the global division of labor, these countries are hopeful of getting their competitive advantages exploited, which pave the way for their sustainable development. Thus, the China Model is likely to be built on performance legitimacy, gaining a better chance to be elevated to an alternative approach of development to the Washington Consensus.

Thanks to its putative identity as “the center of production”, China can substantially benefit from the development of the BRI and developing countries. Firstly, with an enlarged global market, China is expected to ramp up exports to emerging markets, alleviating China’s dependence on developed markets. Also, a more balanced global economy distribution will give rise to a more balanced power distribution. Secondly, China is hopeful of reaping most infrastructure projects from developing countries and embedding China’s industrial standards into them. Thirdly, China can make better use of its national savings and forex reserves to serve its strategic objectives. In sum, China can internalize the positive externalities of global development through commerce, instead of resorting to “debt traps” and other political measures, to cover the risks and costs of its investments.

6.2.1 Global Development and Accommodating China’s Productive Capacity

The low proportion and slow growth of developing countries in the global economic pattern undermine China’s putative status as “the center of production and trade”. In the first place, China’s negotiating stance against developed countries is crippled by its overdependence on their markets, especially in the context that these two sides are heading to more intense competition. Take the Sino-US trade war for instance. In the worst case, this alone is estimated to drag down 0.5% from China’s 6.5% GDP growth rate, taking no account of collateral damages, such as the confidence of investors and industrial chain transfer.⁴⁶² Moreover, given the fact that the US contributes two-thirds of China’s trade surplus, the worsening Sino-US trade may put China’s forex balance at risk. Meanwhile, due to the slow growth of China’s major export markets, namely, is 2.3% in the US, 2.5% in the EU and 1.7% in Japan, China’s exports are likely to meet “saturated” conditions in these markets.⁴⁶³ Worse still, China’s international status

⁴⁶² CNBC, The trade war’s impact on China will be insignificant, former central bank governor says, <https://www.cnbc.com/2018/09/07/trade-war-impact-on-china-insignificant-zhou-xiaochuan--says.html>.

⁴⁶³ CNN, US economy picked up in 2017, but growth slowed at year’s end,

might be more vulnerable if it fails to cultivate broader markets in time to accommodate its enlarging productive capacity. Ironically, China might come to suffer from its own achievements of becoming “the center of production” in a perverse way.

Presently speaking, developing countries play peripheral roles in the world economy. Taking an overview of the global GDP distribution, the US accounts for 25.6%, the EU 22.7%, China 15.8% and Japan 6.4%. The subtotal of these four economies hits 70.5% of the total, indicating the rest of the world only accounts for less than 30%, roughly the size of the US and only twice the size of China. In addition, taking other major economies (accounting for over 1% of the world's GDP) into consideration, India is 3.2%, Brazil 2.8%, Canada 2.2%, South Korea 2%, Russia 1.9%, Australia 1.8%, Mexico 1.5%, Indonesia 1.3%, Turkey 1.1%, the subtotal reaches 17.8%, implying over 200 economies share the remaining 11.7%.⁴⁶⁴ Moreover, given China's “center of production” position, its export destination structure also shows the inequality of the world economy. The major trade partners of China include the EU, the US, ASEAN, Hong Kong, Japan, South Korea, Taiwan, Australia, India, Russia and Brazil, which take up over three-quarters of China's entire trade volume.⁴⁶⁵ Specifically speaking, the US accounts for 18.9% of China's exports with \$430bn, the EU takes up 16.4% with \$372bn, Japan 6% with \$137bn, South Korea 4.5% with \$102bn, ASEAN and Hong Kong both 12.3% with \$279bn.⁴⁶⁶

Paling in comparison to China's trade with above-mentioned greater economies, Sino-African trade was \$170bn in 2017 and has stood still for years, implying a struggle to

<http://money.cnn.com/2018/01/26/news/economy/2017-gdp/index.html>; BBC, European Union grows at fastest pace for 10 years, <http://www.bbc.co.uk/news/business-43055887>; The Japan Times, World Bank estimates Japan's growth in 2018 at 1.3%, down from 1.7% estimate for 2017, <https://www.japantimes.co.jp/news/2018/01/10/business/economy-business/world-bank-estimates-japans-growth-2018-1-3-1-7-estimate-2017/#.Wvy8B9MvwWo>.

⁴⁶⁴ IMF, World Economic Outlook Database, <http://www.imf.org/external/pubs/ft/weo/2017/02/weodata/index.aspx>.

⁴⁶⁵ Ministry of Commerce of the PRC, China's foreign trade report 2016, <http://zhs.mofcom.gov.cn/table2017/rep01.pdf>; Ministry of Commerce of the PRC, China's foreign trade report 2015, <http://zhs.mofcom.gov.cn/article/Nocategory/201605/20160501314688.shtml>.

⁴⁶⁶ General Administration of Customs of the PRC, Report of export in 2017 by nation, <http://www.customs.gov.cn/customs/302249/302274/302275/1416426/index.html>. Hong Kong is a port of Re-exportation, and the destination of these freight are still other major export destinations.

keep Premier Li Keqiang's commitment that Sino-African trade will reach \$400bn in 2020.⁴⁶⁷ Concerning China's major trade partners in the Middle East, the total in 2017 comprising Saudi Arabia (\$50bn), the UAE (\$41bn), Iran (\$37.2bn), Iraq (\$22.1bn) and Oman (\$15.5bn) numbered \$165.8bn, only roughly accounted for 4% of China's entire foreign trade.⁴⁶⁸ With regards to South Asia, India only took up 2% of China's entire foreign trade with \$84.4bn and absorbed 3% of exports valued \$84bn. Furthermore, BRI countries are sluggish in economic growth, making it unrealistic for China to build up the "center of production and trade" by sharing their development. Specifically speaking, China's growth rate was 6.7% in 2016 while Sub-Saharan Africa 1.2%, the Arab World 4.2%, West Asia and North Africa 4.9% and South Asia 6.8%.⁴⁶⁹ In 2017, China's growth rate was 6.9% while in the Middle East it was 1.3%, Sub-Saharan Africa 2.7%, North Africa 4.8% and South Asia 6.6%.⁴⁷⁰ Therefore, given the fact that the current economic scale and growth of the BRI is too small and slow to accommodate China's enlarging productive capacity, as a larger economy with faster growth, China is prompted to engage in more comprehensive global development by the BRI, in order to stimulate their economic growth.

Politically speaking, the unequal distribution of economic power constitutes the economic base enabling the G7 and the liberal bloc to promote their values and norms to international ones and overwhelm the PIO by the LIO. In this way, with the rise of developing countries, a more equal distribution of economic power seems to be the economic base for restoring the PIO, which is more in China's interests as elaborated in Chapter Three. In 1992, after the former Soviet Union collapsed, the G7 accounted for 70% of the world GDP, 65% in 2000, 50% in 2010 and 45% in 2018. With respect

⁴⁶⁷ Ministry of Commerce of the PRC, Sino-African trade statistics 2015, 2016 and 2017, <http://www.mofcom.gov.cn/article/tongjiziliao/fuwzn/swfalv/201602/20160201250652.shtml>; <http://www.mofcom.gov.cn/article/tongjiziliao/fuwzn/swfalv/201704/20170402557489.shtml>; <http://africanunion.mofcom.gov.cn/article/jmxw/201801/20180102703211.shtml>; People.cn, Sino-Africa trade will reach \$400 billion in 2020, <http://world.people.com.cn/n1/2016/1114/c404853-28859570.html>.

⁴⁶⁸ Ministry of Foreign Affairs of the PRC, China's relation with Asian Countries (Saudi Arabia, the United Arab Emirates, Iran, Iraq, Oman), https://www.fmprc.gov.cn/web/gjhdq_676201/gj_676203/yz_676205/.

⁴⁶⁹ The World Bank, GDP growth (annual %), <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>.

⁴⁷⁰ IMF, Real GDP growth, annual percent change, http://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD.

to emerging markets, its GDP has reached the 90% level of the G7 after 2015, and China has reached 35% of G7 in 2018, from 18% in 2010.⁴⁷¹ With the rebalance of the world economy, a more balanced world order is supposed to be on the horizon.

“Promoting global development” seems to be a slogan too elusive to define and a load too heavy to shoulder for China, “doubling the GDP of BRI countries” sounds more definite and practical. Benchmarking ASEAN, doubling the GDP of South Asia and Africa can substantially accommodate China’s enlarging productive capacity. In 2050, the population of these regions is predicted to reach 4.9 bn, taking up roughly 50% of the world population, of which South Asia will be 2.4 bn and Africa 2.5 bn. The median age is projected to remain at 36.8 and 24.8 and the urbanization rate is estimated to attain 53.5% and 59.8% respectively.⁴⁷² In 2017, Southeast Asian GDP per capita reached \$4,290 while South Asia and Africa were \$1,820 and \$1,910.⁴⁷³ Accordingly, the GDP scale of South Asia and Africa will reach \$10.2 trillion and \$ 10.8 trillion in 2050 if taking Southeast Asian GDP per capita in 2017 as their GDP per capita goals in 2050, namely, four times that of the 2017 Southeast Asian GDP and that of China in 2014. In view of China’s exports to Southeast Asia in 2017, standing at \$279bn, it is optimistic for China to build up two more exporting pillars by the BRI.

Moreover, because developing countries cannot afford to build a complete industrial system and their purchasing power is limited, they are inclined to import a higher ratio of Chinese products than developed countries. Meanwhile, except for countries with abundant energy and resources, most developing countries can hardly export suitable products to China to balance the bilateral trade. For these factors, the trade relations between China and developing countries are imbalanced and China gains trade surplus in most cases. This indicates that developing countries can accommodate a higher ratio of China’s productive capacity than their GDP ratio in the world. In specific, BRI

⁴⁷¹ IMF, GDP, current prices, <https://www.imf.org/external/datamapper/NGDPD@WEO/ADVEC/WEOWORLD/MAE/CHN/DA/OEMDC>.

⁴⁷² Worldometers, world population, <https://www.worldometers.info/world-population/>.

⁴⁷³ IMF Data Mapper, GDP per capita, <https://www.imf.org/external/datamapper/NGDPDPC@WEO/ADVEC/WEOWORLD/AFQ/MEQ>.

countries account for 16% of the world GDP but accommodates 52% of China's infrastructure exports, Africa's GDP takes up only 3% of the world GDP but absorbs 30% of China's infrastructure exports.⁴⁷⁴ Moreover, China's trade surplus is higher in its trade with emerging markets. For example, with regards to agricultural countries, in the \$5.37bn Sino-Kenyan trade, China's exports reached \$5.2bn; in the \$2.88bn Sino-Ethiopian trade, China's exports reached \$2.53bn; in the \$15.27bn Sino-Nigerian trade, China's exports reached \$13.41bn. Considering partially industrialized countries, such as India and Turkey, their trade with China arrived at \$95.54bn and \$21.55bn, China's exports were \$76.71bn and \$17.79bn.⁴⁷⁵ Furthermore, take ASEAN, the model of Africa and South Asia in the BRI's vision for instance. Although ASEAN's GDP was \$2.76 trillion, about 14.2% of the \$19.39 trillion US, its imports from China reached \$279bn, 65% of the \$430bn of the "de-industrialized" US. In this regard, the trade with developed countries accounts for the majority of China's trade, while the trade with developing countries takes up a larger part of China's exports, accommodating a higher proportion of China's productive capacity. In consequence, the economic growth of developing countries is predicted to create a broader market for China, indicating China can internalize the positive externalities of their development through commerce. Nevertheless, China has to make concessions in other terms and contribute more to the development of developing countries, in order to make trade relations with them sustainable politically. Economically speaking, China is also obliged to increase its investments to these countries, so as to maintain their BOP and financial security.

6.2.2 China's Infrastructure Exports and Industrial Standard Implantation

Infrastructure construction is the backbone of China's development-oriented values and

⁴⁷⁴ In China's statistics, "the 56 BRI countries" do not include Africa. But in this thesis, BRI countries include African countries. Ministry of Commerce of the PRC, Annual Report on China International Project Contracting 2017-2018, <http://fec.mofcom.gov.cn/article/tzhzcj/tzhz/upload/dwcbgc2017-2018.pdf>; Ministry of Commerce of the PRC, China's cooperation and investment to BRI countries in 2018, <http://www.mofcom.gov.cn/article/tongjiziliao/dgz/201901/20190102829086.shtml>.

⁴⁷⁵ Ministry of Commerce of the PRC, Bilateral Cooperation (Asia, Western Asia and Africa), <http://yzs.mofcom.gov.cn/article/t/>; <http://xyf.mofcom.gov.cn/sbjmjk.shtml>.

the China Model. Heavy-asset infrastructure construction creates a lucrative market for Chinese enterprises and paves the way for China to introduce its industrial standards to developing countries, enabling China to internalize the positive externalities of their development through commerce. To developing countries, infrastructures are not only the fuel to boost their development but also the “cash cow” to provide stable revenue and alleviate capital shortage. According to Wang Yi, China’s Foreign Minister, China’s infrastructure projects can create over \$50bn revenue for Africa every year, amounting to half of the \$100bn shortage in Africa’s infrastructure investment annually, which helps Africa leave the “no development trap”.⁴⁷⁶

According to the 2018 Fortune Global 500 ranking list, 7 of the 11 listed enterprises in the engineering and construction sector are from China, wrapping up the top 6. In specific, they are as follows, China State Construction Engineering (\$156.5bn revenue), China Railway Engineering (\$102.7bn), China Railway Construction (\$100.8bn), China Communications Construction (\$79.4bn), Pacific Construction Group (\$77.2bn) and Power China (\$53.8bn). As a comparison, the ranking of France’s VINCI (\$46.3bn) and BOUYGUES (\$37.2bn), Spain’s ACS (\$39.3bn), Japan’s Daiwa House Industry (\$34.2bn) are respectively the seventh, ninth, eighth and eleventh. Given the fact that the aggregate revenue of these foreign counterparts is only equivalent to that of China State Construction Engineering, China’s dominance in this realm is impressive.⁴⁷⁷ The competence of Chinese enterprises has also been exhibited in the global arena. Besides the projects funded by China, Chinese firms had succeeded in winning 42% projects sponsored by the World Bank in open-tender bid. In the African engineering, procurement, and construction (EPC) market, Chinese firms hold a 50% share. In a business environment as unfriendly as Africa, over one-third of Chinese firms are still reported to earn over 20% profit margin.⁴⁷⁸ In this way, considering the economic

⁴⁷⁶ Xinhua Net, Wang Yi: China Helps Africa Leaves “No Development Trap”, http://www.xinhuanet.com/silkroad/2019-11/23/c_1125266505.htm.

⁴⁷⁷ Fortune, 2018 Fortune Global 500 ranking list: engineering and construction, http://www.fortunechina.com/fortune500/c/2018-07/19/content_310972.htm.

⁴⁷⁸ McKinsey, Dance of the lions and dragons: How are Africa and China engaging, and how will the partnership evolve, <https://www.mckinsey.com/~media/McKinsey/Featured%20Insights/Middle%20East%20and%20Africa/The%20closest%20look%20yet%20at%20Chinese%20economic%20engagement%20in%20Africa/Dance-of-the->

growth of developing countries, their demand for infrastructure is estimated to provide China with a broader market.

As infrastructure construction is the first step of modernization, China tends to bring its infrastructure advantage into full play, for the purpose of paving the way for introducing Chinese industrial standards and promoting industrialization to BRI countries. Take Africa for example. China has been so far the only great power that has pledged and charted a clear roadmap to support Africa's industrialization. China is the largest trade partner, one of the largest FDI sources and aid providers to Africa, exhibiting the positive role China plays in Africa.⁴⁷⁹ China has kicked off ten major cooperation projects focusing on manufacturing, modern agriculture and infrastructure with \$60bn financial support, as well as setting up the China-Africa Production Capacity Cooperation Fund with \$10bn initial capital.⁴⁸⁰ When Chinese capital and technology constitute the foundation of all these critical sectors, Chinese standards might naturally be implanted into the localized African industrialization.

Meanwhile, China tends to emphasize training local employees like sowing seeds in local communities. For instance, over 89% of employees in Chinese enterprises based in Africa are local people, and the scale has reached a million-level across Africa. The localization rate of managers in Africa has been increased to 44%, while the local sourcing rate has reached 47%.⁴⁸¹ Moreover, China has taken positive measures to enroll African students to receive education in China. The figure of African students has already exceeded 60,000 with a double-digit annual growth rate, making China the second-largest overseas education destination for African students, only second to

[lions-and-dragons.ashx](#) pp.10, pp.30.

⁴⁷⁹ The New York Times, China Pledges \$60bn to Aid Africa's Development, <https://www.nytimes.com/2015/12/05/world/africa/china-pledges-60-billion-to-aid-africas-development.html>; People.cn, China maintains the largest trade partner position of Africa, <http://world.people.com.cn/n1/2017/0414/c1002-29212448.html>; Financial Times, China rises to top of African FDI league, <http://www.ftchinese.com/story/001074171?archive>.

⁴⁸⁰ Xinhua Net, Xi Jinping's speech during the opening ceremony of the Johannesburg Summit of the Forum on China-Africa Cooperation in Johannesburg, South Africa, http://www.xinhuanet.com/world/2015-12/04/c_1117363197.htm.

⁴⁸¹ McKinsey, *Dance of the lions and dragons: How are Africa and China engaging, and how will the partnership evolve*, pp.11.

France and outnumbering the US and the UK. From 2015 to 2018, China has offered 30,000 Chinese Government Scholarship quota places to Africa and trained 200,000 technicians for Africa. In the 2018 Beijing Summit of the Forum on China–Africa Cooperation, Chairman Xi Jinping further proposed to offer 50,000 more Chinese Government Scholarship quota places and 50,000 more training quota places to Africa, which is projected to strengthen Chinese thinking and skill propagation to Africa.⁴⁸² In this way, China tries to implant its industrialized standards to these students, cultivating them as “the hen that lays the golden egg”. In brief, combining Chinese infrastructure with Chinese-educated students and Chinese-trained labor and managers, China is hopeful of embedding its industrial standards in Africa’s initial stage of industrialization. As a result, China is expected to benefit from the path dependence of infrastructures, products and services. The case is also true to other BRI and developing countries.

6.2.3 China’s Financial Support and the Myth of “Debt Trap”

Financial support is a proper barometer to measure China’s commitments to global development. Through this lens, three questions should be asked: how much capital China can supply; why China supplies so much; how can China get the loans back. Presently speaking, China’s loan capacity is even higher than the aggregate amount of the worlds’ leading DFIs, exhibiting China’s dedication to pushing forward global development. China’s extensive investments in developing countries signal a crucial diversion that China turns to supply liquidities directly from its own DFIs instead of US channels. China also turns to transfer its national savings and forex reserves to developing countries instead of investing in the US financial market, seeking to make better use of them strategically. Moreover, China can collect investments back through

⁴⁸² Xinhua Net, Keynote Speech by President Xi Jinping at the Opening Ceremony of the 2018 Beijing Summit of the Forum on China-Africa Cooperation, http://www.xinhuanet.com/world/2018-09/03/c_129946128.htm; People.cn, China has offered 30,000 Chinese Government Scholarship quotas and trained 200,000 technicians to Africa in the past three years, <http://bj.people.com.cn/n2/2018/0902/c82837-32004801.html>; Ministry of Education of the PRC, 2016 Report of overseas students in China, http://www.moe.edu.cn/jyb_xwfb/xw_fbh/moe_2069/xwfbh_2017n/xwfb_170301/170301_sjtj/201703/t20170301_297677.html; CNN, Why African students are ditching the US for China, <https://edition.cnn.com/2017/06/29/africa/african-students-china-us/index.html>.

contracting projects to its enterprises and bartering in an “infrastructure for resources” way, which are well-grounded to disprove the myth of “debt trap” diplomacy.

The sufficient liquidities manifest China's commitments to global development. The China Development Bank (CDB) and the Export-Import Bank of China (Chexim) are the mainstays of China's international lending. By 2018, the credit outstanding of CDB in BRI countries was \$106bn, accounting for 40% of its total balance loans (\$265bn) overseas,⁴⁸³ while Chexim had ¥ 1076bn (\$158.5bn) foreign trade outstanding loans and ¥ 1159bn (\$170.6bn) international investment outstanding loans.⁴⁸⁴ In comparison, by June 2019, the credit outstanding of the IMF was \$88.1bn while that of the World Bank was \$243.8bn, signaling the lending capacity of China's DFIs has been on a par with their international counterparts.⁴⁸⁵ With regard to the commercial bank channel, the “Big Four” have roughly \$260bn accumulative loans in BRI countries by April 2019.⁴⁸⁶ Compared with China-owned DFIs, the multilateral DFIs led by China appear moderate. By November 2019, the accumulated loans of NDB reached \$12.8bn in 46 projects, on a par with the \$10bn in 53 projects of the AIIB. According to its president, the NDB is capable of sustaining an \$8-10bn of annual lending.⁴⁸⁷ However, the scale of these regional DFIs is much smaller than their counterparts. For instance, by 2018, the ADB's outstanding loans amounted to \$106.4bn, ten times of the AIIB.⁴⁸⁸ Therefore, viewed from the financial support lens, China seems to push forward global development in both the bilateral and multilateral channels. The former is more performance-oriented while the latter is more procedure-oriented, and the former is

⁴⁸³ China Development Bank, The Special Lending Scheme for the BRI has been Finished, http://www.cdb.com.cn/xwzx/khdt/201904/t20190423_6085.html; China Development Bank, 2018 Annual Report, <http://www.cdb.com.cn/bgxz/ndbg/ndbg2018/>.

⁴⁸⁴ Export-Import Bank of China, 2018 Annual Report, http://www.eximbank.gov.cn/aboutExim/annals/2018_2/.

⁴⁸⁵ The World Bank, Annual Report 2019 Lending Data, <http://pubdocs.worldbank.org/en/724041569960954210/WBAR19-Lending-Data.pdf>; IMF, IMF Financial Activities List 2019, <https://www.imf.org/external/createX/createx.aspx?series=fa>.

⁴⁸⁶ The Industrial & Commercial Bank of China (ICBC), the China Construction Bank (CCB), the Agricultural Bank of China (ABC) and the Bank of China (BOC), they are the four largest commercial banks of China and the world. Xinhua Net, The Big Four support the BRI construction, http://www.xinhuanet.com/money/2019-04/24/c_1124409185.htm.

⁴⁸⁷ New Development Bank, NDB successfully concludes participation in 11st BRICS Summit in Brasilia, Brazil, http://www.ndb.int/press_release/ndb-successfully-concludes-participation-11th-brics-summit-brasilia-brazil/.

⁴⁸⁸ Asian Development Bank, 2018 Annual Report, <https://www.adb.org/sites/default/files/institutional-document/496016/adb-annual-report-2018.pdf>, pp.9.

more important to China's grand strategy presently.

"Debt trap" diplomacy runs contrary to China's interests and grand strategy. As China seeks to build up an alternative set of development-oriented values and norms by performance legitimacy, namely, the economic development of developing countries, it will thwart China's norm-setting attempts if developing countries are mired in "debt traps" when they adopt China's approach of development. Meanwhile, as China can internalize the positive externalities of developing countries' development by infrastructure construction, standards implantation and goods and services exports, China's economic interests will also be undermined perversely if they are mired in "debt traps". Furthermore, CDB's financial performance demonstrates that China can collect loans back in an economic way instead of using these loans as traps for political gains. As the fifth lucrative enterprise in China, CDB is only second to the "Big Four" (\$16.74bn to \$27.22bn of BOC, the fourth-largest one). The rate of non-performing loans is only 0.92% for CDB, lower than the 1.42% of BOC and 1.52% of ICBC, while that of China's commercial banking system was 1.83%.⁴⁸⁹ In this regard, Chinese DFIs can control the risks of their loans, indicating that they will not mire lenders in "debt traps" inadvertently.

The BRI projects further belie "debt trap" allegations. Take the Hambantota port, the most-cited evidence of "debt trap diplomacy", for instance. According to Deborah Brautigam, throughout over 3,000 projects financed by China around the globe and 42 ports across 34 countries managed by China, the Hambantota port is the only case selected as the evidence to prove China's "debt-trap diplomacy". Viewed from China's activities, there is no sign that China has asked its bank and DFIs to use loans as tools

⁴⁸⁹ Industrial & Commercial Bank of China, ICBC's performance in 2018, <http://www.icbc-ltd.com/icbc-ltd/%E5%85%B3%E4%BA%8E%E6%88%91%E8%A1%8C/%E5%B7%A5%E8%A1%8C%E6%96%B0%E9%97%BB/%E4%B8%AD%E5%9B%BD%E5%B7%A5%E5%95%86%E9%93%B6%E8%A1%8C%E5%85%AC%E5%B8%832018%E5%B9%B4%E7%BB%8F%E8%90%A5%E6%83%85%E5%86%B5.htm>; Bank of China, BOC's performance in 2018, http://www.boc.cn/about/boc/bi1/201903/t20190329_15034809.html; Xinhua Net, The Non-Performance loan rate of China's commercial banking system decreases to 1.83%, http://www.xinhuanet.com/fortune/2019-02/26/c_1124162578.htm.

to indebt them for political reasons.⁴⁹⁰ Based on 40 cases of China's external debt renegotiation, the Rhodium Group reaches the following conclusions: the Hambantota project, even in "debt trap" allegations, is still exceptional instead of typical; debt renegotiations and distress among borrowing countries are common but asset seizures are rare; despite its economic weight, China's leverage in negotiations is limited.⁴⁹¹ As far as skeptics who doubt "debt-trap" is in China's toolkit are concerned, they assume that 8 of 68 BRI countries have high financial risks, but Sri Lanka is not on the list. At the same time, China neither intentionally exacerbates and takes advantage of nor causes their financial vulnerability so far.⁴⁹² In fact, more attention should have been paid to crony capitalism and environmental problems rather than "debt trap", for the sustainability of projects and the interests of recipients. Furthermore, China is also responsive to "debt trap" accusations, taking steps to convince developing countries of the China Model. Yi Gang, the Governor of the People's Bank of China (PBC), remarks that China will reinforce debt and risk management to make them more sustainable while emphasizing the principles of market-based, multilateralization, joint-efforts and green development.⁴⁹³ Based on the algorithms of the IMF and the World Bank as well as the conditions of BRI countries, the Ministry of Finance (MOF) of China proposes a "debt sustainability framework" for BRI countries as the evaluating tool to make their debts more sustainable.⁴⁹⁴ In this way, the "debt trap" hype is more propaganda than serious academic research, which is misleading in interpreting China's objectives in the BRI.

In conclusion, the economic base of pushing forward the development-oriented China

⁴⁹⁰ Deborah Brautigam, Misdiagnosing the Chinese Infrastructure Push, <https://www.the-american-interest.com/2019/04/04/misdiagnosing-the-chinese-infrastructure-push/>; Deborah Brautigam, Is China the World's Loan Shark?, <https://www.nytimes.com/2019/04/26/opinion/china-belt-road-initiative.html>; Brautigam, D., 2019. *A critical look at Chinese 'debt-trap diplomacy': the rise of a meme*. Area Development and Policy, pp.1-14.

⁴⁹¹ Rhodium Group, New Data on the "Debt Trap" Question, <https://rhg.com/research/new-data-on-the-debt-trap-question/>.

⁴⁹² Hurley, J., Morris, S. and Portelance, G., 2018. *Examining the debt implications of the Belt and Road Initiative from a policy perspective*. CGD Policy Paper, 121.

⁴⁹³ Xinhua Net, Yi Gang: Promoting the BRI construction by an opening financial sector of China, http://www.xinhuanet.com/money/2019-04/26/c_1124418553.htm.

⁴⁹⁴ Ministry of Finance of the PRC, Debt Sustainability Framework for Participating Countries of the Belt and Road Initiative, <http://m.mof.gov.cn/czxw/201904/P020190425513990982189.pdf>.

Model is that China can internalize the positive externalities of global development by commerce. As “the center of production and trade”, China substantially benefits from the increasing purchasing power of developing countries in infrastructures, goods and services. Moreover, thanks to a more balanced export structure by nation, China is likely to alleviate its overdependence on developed markets. Meanwhile, China tries to supply liquidities to global development from its own financial channels, which is supposed to undermine US financial dominance in the long run. Furthermore, since China can internalize the positive externalities of global development by commerce, China does not need the political returns of “debt traps” to cover its economic costs. Given the fact that promulgating the development-oriented approach of governance is China’s priority, it is counterproductive to mire developing countries, primary norm-takers of the China Model, in “debt traps”.

6.3 What Kind of Norm-Maker China Attempts to be

Associating the previous two sections with chapter 3.1, it is noticeable that China follows a coherent logic to serve its ambition of becoming a norm-maker. In brief, China adopts a pragmatic approach that adhering to existing norms and institutions in most cases while redefining and underscoring some partly marginalized norms in its interests. Meanwhile, the Trump administration’s revisionism and withdrawals from a series of international institutions and treaties also compromise the normative power of the US, which pave the way for China to play a bigger role in the existent advocacy networks to push for norms which better suit Chinese interests.

In the first place, it is essential to review the literature about how norms are made and diffused, so as to build a theoretical framework for understanding how can China turn itself into a norm-maker. Early constructivist literature in the 1980s and early 1990s, which aimed at challenging the dominant material-rational approach in IR, introduced

socially-constructed factors in IR studies and set the foundation for norm studies.⁴⁹⁵ According to Matthew J. Hoffmann, the initial studies of norms can be classified into three categories, i.e., normative behavior, socialization and normative emergence.⁴⁹⁶ Among these works, the most remarkable and seminal one is Martha Finnemore and Kathryn Sikkink's "international norm dynamics and political change", in which they proposed the "norm life cycle" theory. The life cycle of norms is a three-stage process, going as norm emergence, norm cascade and internalization. In the first stage, norm entrepreneurs, defined as agents having strong notions about appropriate or desirable behavior in their community, and organizational platforms are critical for creating new norms. They create such norms out of altruism, empathy, ideational or commitment reasons. In the second stage, under the influence of international organizations and transnational advocacy networks, states come to accept these norms because of the pursuits of legitimacy, reputation and esteem. In the third stage, when these norms become so widely accepted and "taken-for-granted", states will obey them for conformity, especially if they are viewed as being superior to, or more useful than, previous ones.⁴⁹⁷

With the advancement of norm research, this approach of norm understanding has been challenged on three points chiefly. Firstly, material-rational scholars argue that international norms are made to reflect the interests of great powers and international institutions and norms are designed to solve problems for great powers.⁴⁹⁸ Secondly, within the constructivist school, some works suggest that the traditional understanding

⁴⁹⁵ Wendt, A.E., 1987. "The agent-structure problem in international relations theory", *International organization*, 41(3), pp.335-370; Wendt, A.E., 1992. "Anarchy is what states make of it: The social construction of power politics", *International Organization*, 46(2), pp.391-425; Ruggie, J.G., 1993. "Territoriality and beyond: problematizing modernity in international relations", *International Organization*, 47(1), pp.139-174; Onuf, N.G., 2012, *World of our making: Rules and rule in social theory and international relations*, Routledge.

⁴⁹⁶ Hoffmann, M.J., 2010. *Norms and social constructivism in international relations*, Oxford Research Encyclopedia of International Studies.

⁴⁹⁷ Finnemore, M. and Sikkink, K., 1998. "International norm dynamics and political change", *International organization*, pp.887-917. For similar works about norm diffusion, please see Haas, P.M., 1992. "Banning chlorofluorocarbons: epistemic community efforts to protect stratospheric ozone", *International organization*, pp.187-224; Risse-Kappen, T., 1994. "Ideas do not float freely: transnational coalitions, domestic structures, and the end of the cold war", *International Organization*, 48(2), pp.185-214.

⁴⁹⁸ Ikenberry, G.J. and Kupchan, C.A., 1990. "Socialization and hegemonic power", *International Organization*, 44(3), pp.283-315; Koremenos, B., Lipson, C. and Snidal, D., 2001. "The rational design of international institutions", *International organization*, 55(4), pp.761-799.

somewhat treats norms as static independent variables. Instead, norms are inclined to change over time for a series of internal factors, most of which are material-rational ones, including power struggle for the precise meaning of norms favoring the state's prerogative.⁴⁹⁹ Also, norms can only provide general principles and they must be translated into specific actions for specific situations, implying that different actors may have contrasting understandings of norms, even when they are in a group structured by same norms.⁵⁰⁰ Thirdly, some scholars question the certainty of compliance and socialization, indicated by Amitav Acharya's question that "why do some transnational ideas and norms find greater acceptance in a particular locale than in others?" According to this school, instead of a simple process of congruence with global norms, local agents tend to reconstruct the norms to ensure the norms fit with the agents' cognitive priors and identities, including the norms' positive impact on the legitimacy and authority of key norm-takers, the strength of prior local norms, the credibility and prestige of local agents, indigenous cultural traits and traditions, and the scope for grafting and pruning presented by foreign norms. In other words, norm diffusion is a process of localization instead of a wholesale acceptance or rejection. Besides, local agents may adopt international norms to legitimate their self-interested preferences.⁵⁰¹ In this way, a moral cosmopolitanism perspective of norm diffusion and compliance seems to lose ground. In addition, such norm diffusion that intending to replace "bad" norms with "good" ones will not always succeed, as shown in the case of commercial whaling.⁵⁰² Furthermore, in some circumstances, states as active agents may challenge

⁴⁹⁹ Van Kersbergen, K. and Verbeek, B., 2007. "The politics of international norms: Subsidiarity and the imperfect competence regime of the European Union", *European Journal of International Relations*, 13(2), pp.217-238; Sandholtz, W., 2008. "Dynamics of international norm change: Rules against wartime plunder", *European Journal of International Relations*, 14(1), pp.101-131; Chwioroth, J.M., 2008. "Normative change from within: The International Monetary Fund's approach to capital account liberalization", *International Studies Quarterly*, 52(1), pp.129-158; Krook, M.L. and True, J., 2012. "Rethinking the life cycles of international norms: The United Nations and the global promotion of gender equality", *European journal of international relations*, 18(1), pp.103-127.

⁵⁰⁰ Wiener, A., 2004. "Contested compliance: Interventions on the normative structure of world politics", *European journal of international relations*, 10(2), pp.189-234.

⁵⁰¹ Acharya, A., 2004. "How ideas spread: Whose norms matter? Norm localization and institutional change in Asian regionalism", *International organization*, 58(2), pp.239-275; Cortell, A.P. and Davis, J.W., 2005. "When norms clash: international norms, domestic practices, and Japan's internalisation of the GATT/WTO", *Review of International Studies*, 31(1), pp.3-25; Kornprobst, M., 2007. "Argumentation and compromise: Ireland's selection of the territorial status quo norm", *International Organization*, 61(1), pp.69-98; Cortell, A.P. and Davis Jr, J.W., 2000. "Understanding the domestic impact of international norms: A research agenda", *International Studies Review*, 2(1), pp.65-87.

⁵⁰² Bailey, J.L., 2008. "Arrested development: the fight to end commercial whaling as a case of failed norm

or transform a dominant moral discourse, making the attempts to impose some given norms fail or even have opposite effect.⁵⁰³

In sum, based on the theoretical debates above, it is evident that the norm diffusion logic presented by the “norm life cycle” theory is basically tenable, while challengers introduce new analytical dimensions, making the theory more dynamic and closer to global realities. In addition, though the constructivist approach still dominates norm studies, the realist and rationalist approach gain ground as well, providing scholars with more methodological tools to conduct their researches. In light of the existing literature, this thesis argues that China’s attempt of transferring itself from a norm-taker into a norm-maker is typical for mainstream norm theories. Furthermore, the norms China seeks to push for as a norm-maker are nothing new. Instead, they are widely accepted in the international society previously but are marginalized, rather than replaced, by liberal great powers, as these norms cannot serve their best interests any longer.

Specifically speaking, as a developing country and a late-comer to the international order, although is now more active in the process of norm-making, China is basically an exemplary norm-taker, and its pragmatic strategic culture further eases this process. For instance, as shown in the first section, China’s economic development extensively takes reference from the Washington Consensus’ principles, as many as eight of the ten. Furthermore, as a UNSC member and the world’s largest trader, China also becomes a staunch follower of the norms of the UN and the WTO, shown by its records in these international organizations. Presently speaking, given its determination to become “the center of production and trade”, China adopts more global norms to stimulate its economy in a radical way. However, it is worthwhile to mention that China takes these norms out of rationalist, instead of constructivist reasons, which is shaped by its strategic culture and Marxism. The Chinese government plays an active role in taking

change”, *European Journal of International Relations*, 14(2), pp.289-318.

⁵⁰³ Adler-Nissen, R., 2014. “Stigma management in international relations: transgressive identities, norms, and order in international society”, *International Organization*, 68(1), pp.143-176.

and redefining global norms selectively.

In fact, at the very beginning of China's Reform and Opening-up, i.e., the outset for China to take global norms, Deng Xiaoping proposed the Four Cardinal Principles to delineate the baseline of accepting global norms and the extent of socialization.⁵⁰⁴ Premised on these principles, China's strategic culture of pursuing "self-reliance" further restrains China from accepting global norms in wholesale. In addition, in Mao Zedong's Marxist work "On Practice", he argued that people must apply their logical knowledge to reality through practice in order to verify the truth-value of their conceptions. His "seek truth from facts" and Deng Xiaoping's "crossing river by groping for stones" set the logical foundation for China's gradualist reform and norm-taking. As illustrated before, China is inclined to set pilot zones to accept global norms more openly at first, then revise the norms in these regions before promulgating the localized norms to the whole country. By and large, the adoption, contestation and localization of norms in China contribute a classic case for norm studies.

Furthermore, the norm diffusion approaches China adopts are also in line with norm theories. China takes advantage of existing international organizations, especially the UN's organs and agencies, to push for its development-oriented and UN-based norms. Additionally, China seeks to set new institutions, such as the AIIB and the NDB, to facilitate the diffusion of its norms. Moreover, with the promotion of the BRI and third-party market cooperation (will be illustrated in chapter seven), China also attempts to build transnational advocacy networks to promulgate its own norms and socialize other countries. Meanwhile, the Trump administration's withdrawals from a series of treaties and institutions further ease China's efforts of promoting its norms through the existent networks. More importantly, President Trump's revisionism characterized by "America First" is a blatant realist and rationalist movement, which critically undermines the soft

⁵⁰⁴ The Four Cardinal Principles include: 1, the principle of upholding the socialist path; 2, the principle of upholding the people's democratic dictatorship; 3, the principle of upholding the leadership of the Communist Party of China; 4, the principle of upholding Mao Zedong Thought and Marxism–Leninism.

power and normative power of the US. Thus, America's norm diffusion is degraded from a constructivist activity to a realist one, rendering the US which boasts a normative edge on an equal footing with China. In this way, based on the literature on norm death or norm regression,⁵⁰⁵ some scholars even take Trump's presidency as a case study to test if President Trump is an agent of norm death.⁵⁰⁶ However, this thesis suggests that compared with President Trump's norm violations, what are more destructive for US normative power and norm diffusion are making the rationalist approach prevail over the constructivist approach in norm diffusion, as well as withdrawing from a series of international regimes and treaties. These self-hurting deeds of the US leave more space for China to take, so as to promulgate its own norms with the networks left by the US.

Besides, the role of norm-maker China seeks to play is not a norm-challenger but a proponent of some existed but partially marginalized norms. What China has done is just redefining these norms with its subjective understanding, localized experiences and interests. Principally speaking, the norms China aims to push for are UN-based politically and development-oriented economically. For the former, China resolutely supports the absoluteness and exclusivity of sovereignty, which is supposed to hedge US assertiveness and even invasions justified by "sovereignty as responsibility" and "the responsibility to protect".⁵⁰⁷ In fact, China is a conditional proponent of these new norms, which appreciates the progressive values of these norms but is concerned about the abuses of them.⁵⁰⁸ As shown in the Libyan Crisis since 2011, China abstained in UNSC Resolution 1973 which approved a no-fly zone over Libya and authorized all necessary measures to protect civilians. However, when NATO extended interferences

⁵⁰⁵ Panke, D. and Petersohn, U., 2012. "Why international norms disappear sometimes", *European Journal of International Relations*, 18(4), pp.719-742; Panke, D. and Petersohn, U., 2016. "Norm challenges and norm death: The inexplicable?", *Cooperation and Conflict*, 51(1), pp.3-19; McKeown, R., 2009. "Norm regress: US revisionism and the slow death of the torture norm", *International relations*, 23(1), pp.5-25.

⁵⁰⁶ Panke, D. and Petersohn, U., 2017. "President Donald J. Trump: An agent of norm death?", *International Journal*, 72(4), pp.572-579.

⁵⁰⁷ Deng, F.M., Kimaro, S., Lyons, T., Rothchild, D. and Zartman, I.W., 2010. *Sovereignty as responsibility: conflict management in Africa*, Brookings Institution Press; Evans, G.J. and Sahnoun, M., 2001. *The responsibility to protect: report of the International Commission on Intervention and State Sovereignty*, IDRC; Evans, G., 2009. *The responsibility to protect: ending mass atrocity crimes once and for all*, Brookings Institution Press.

⁵⁰⁸ Chen Zheng and Zhu Yuxuan, "The Chinese Government and the Debate on Responsibility to Protect: An analysis based on UN Security Council Proceedings", *Journal of Contemporary Asia-Pacific Studies*, No.5, 2015 (陈拯, 朱宇轩:《中国政府与“保护的责任”辩论:基于安理会相关辩论发言的分析》,《当代亚太》)

beyond the authorization of the resolution, China turned to veto consecutively in the UNSC resolutions on Syria, staunchly defending traditional sovereignty norms.⁵⁰⁹ In a broader sense, China has vetoed 16 times in the UNSC in total, 11 of them are after 2011 and 10 of them are about Syrian affairs.⁵¹⁰ This alteration demonstrates that China would support new norms out of constructivist reasons, however, given the fact that the progressive norms are susceptible to be abused for realist purposes, China could only conditionally uphold them and adhere to traditional norms in more cases.

For the latter development-oriented norms, as elaborated before, most of these norms are widely accepted worldwide and reaffirmed by the UN Millennium Development Goals and Sustainable Development Goals. Thus, according to norm theories, the China Model and the Washington Consensus are just different branches in the same normative community. Given the divergent development conditions, experiences and stages with the West, China tends to emphasize infrastructure, investment and big government, which are perceived as the knacks of its economic miracle since the Reform and Opening-up. In fact, as development economists argue, most developed countries have undergone a similar process, but they “kick away the ladder” after development and turn to more market-based and small government norms. Thus, the norms China seeks to push for nowadays are no more than “finding back the ladder kicked away”, quoted Ha-Joon Chang, and streamlining the ladder’s design. Therefore, if China wants to take development-oriented norms back to the center of the global norms arena, China must maintain high-speed economic growth to demonstrate the efficiency of the norms. Meanwhile, the BRI which is characterized by infrastructure construction and heavy investments has to make progress in developing countries, at least in some exemplary countries, such as Pakistan, Ethiopia and Myanmar, to exhibit the “universality” of the norms. In this way, China can also extend transnational advocacy networks of norm diffusion. Additionally, the unfolding BRI can reshape the domestic structure of some

⁵⁰⁹ Chen Zheng, “Norm Containment and its Tactics: Evidences from the Evolution of the responsibility to protect”, *World Economics and Politics*, No.6, 2019 (陈拯:《规范阻滞及其策略——以中俄等在“保护的責任”演进中的实践为例》,《世界经济与政治》)

⁵¹⁰ United Nations, China’s veto record in the UNSC, <https://www.un.org/securitycouncil/zh/content/veto-china>.

key project-takers, which would cultivate local agents to localize these norms.

In conclusion, the norm-maker China seeks to become is neither norm-challenger nor norm-killer. Based on the literature review of norm studies, this thesis argues that by and large, China is an exemplar norm-taker and the norms it seeks to push for are some marginalized norms which have already been widely accepted in the international society. In other words, China has no intention to replace existing norms, but wants to “revive” some marginalized norms which have been redefined by China’s experiences and interests. China relies on existing advocacy networks and international organizations to facilitate its norm diffusion, which are accompanied by the newly-set institutions. China also resorts to the BRI and third-party market cooperation to broaden its global advocacy networks. Meanwhile, the Trump administration’s revisionism and withdrawals from these organizations substantially facilitate China to take advantage of them for norm diffusion. Ultimately, though the presence of favorable advocacy networks, the crux of becoming a norm-maker is still the credibility and effectiveness of norms, which drives China to maintain its economic performance and wield the BRI to prompt the economic growth of developing countries.

6.4 Conclusion

In conclusion, for the purpose of legitimating its ambition to broaden overseas interests in the face of the prevailing Western discursive power bolstered by neoliberalism, China proposes the China Model as an alternative to the Washington Consensus, which boils down to a development-oriented approach of governance. The China Model represents China’s sovereignty-centered, development-oriented and performance-based norms and values, countering neoliberal norms that overshadow UN authority and the PIO. For the purpose of promulgating such an approach of development with the BRI, China expects a relatively stable environment in BRI countries, which will facilitate the construction of the heavy-asset BRI. Furthermore, thanks to its identity as “the center

of production and trade”, China can internalize the positive externalities of global development through enlarging exporting demands, increasing infrastructure contracts and ameliorating forex applications. The sufficient liquidities supplied by Chinese DFIs, which amount to the total of their international counterparts, demonstrate China’s determination to push forward global development. Considering China’s development-oriented values and norms are built on performance legitimacy and China can also internalize the positive externalities of global development through commerce, it is counterproductive for China to mire developing countries in “debt traps”. Besides, as a norm-maker, China is inclined to take advantage of existing international organizations and advocacy networks to promote its norms, which are left by America’s withdrawals. China also attempts to expand the networks by setting new institutions, pushing forward the BRI and expanding third-party cooperation. With respect to norms, China redefines some marginalized norms which have already been widely accepted in the international society by its interests and experiences. All in all, if China can finally become a norm-maker is primarily determined by the credibility and effectiveness of the norms it seeks to promulgate.

Chapter Seven: Is the Sino-Indian Security Dilemma Inevitable:

India's Strategic Independence and the Myth of "Indo-Pacific"

7.1 China's Growing Naval Presence in the Indian Ocean and the Impacts on India and the US

Given China's ambition to be "the center of production and trade", the pivotal sea line of communication (SLOCs) for China is the Indian Ocean, which connects China with its upstream energy and resources and downstream markets. Presently speaking, the BRI is expanding China's interests across the Indian Ocean. Since BRI projects are generally characterized by massive investments and long payback periods, China turns to emphasize the free access to the Indian Ocean guaranteed by its enhancing power projection power, seeking to secure its interests in BRI countries. The 2011 Libya national evacuation operation and the 2015 Yemen national evacuation operation set up successful precedents for China.⁵¹¹ However, China's power projection capabilities are far from covering all BRI countries, which has a long way to go to meet the expectations of its people. In a broader sense, rather than the "Malacca Dilemma", the "Indian Ocean Dilemma" should be regarded as the top concern of China. In more detail, the unprotected SLOCs can be easily choked to suffocate China's economy and the defenseless overseas interests of China are susceptible to foreign interventions, which will surely compromise China's negotiating stance. Therefore, China is impelled to increase its presence in the critical Indian Ocean, in order to assure its role as "the center of production and trade".

As the carrier of China's global power projection and high-sea presence, the PLAN has taken tentative measures to scale down China's "risk exposure" in the Indian Ocean. From the Chinese perspective, the pirates in the Gulf of Aden provide the PLAN with

⁵¹¹ China Daily, China's major overseas evacuations in recent years, http://www.chinadaily.com.cn/china/2015-03/30/content_19954649.htm.

an indisputable reason to routinely send fleets to cruise in the Indian Ocean and convoy maritime transportation. Thus, the PLAN takes this mission as an opportunity to transform itself into a blue water navy. From December 2008 until Mid-2019, China had dispatched 32 fleets to the Gulf of Aden and gradually normalized this convoy operation to drill its fleet.⁵¹² A series of vessels including Type 052C destroyers, 071 LPDs, 054A frigates, 903A replenishment ships and nuclear submarines are dispatched in groups of 3-4 vessels to conduct high-sea trainings, to gain more knowledge of Indian Ocean hydrological conditions and accumulating experience. In the 2015 Yemen Crisis, it was the 19th convoy fleet in the Gulf of Aden that carried out the evacuation operation, which earned wide praise domestically. Taking such overseas evacuation as the main story, “Wolf Warrior II” (战狼 II) and “Operation Red Sea” (红海行动) became the top two blockbusters in the film history of China, explicitly demonstrating public support for such operations.⁵¹³ It is notable that in the 2018 Maldives Crisis, China happened to have as many as 11 warships in the Indian Ocean, composed of the 27th and 28th convoy fleet and the “Blue 2018A” training fleet, including two 052D destroyers, one 052C destroyer, four 054A frigates, one 071 LPD, and three 903 replenishment ships.⁵¹⁴ This fleet provided China with more policy choices. Therefore, benefiting from the normalized presence in the Indian Ocean, China is encouraged to strengthen its blue water navy and wield it more frequently as a diplomatic tool in its arsenal.

For propping up the normalizing high-sea presence, the PLAN has a growing demand for replenishment. Contrary to the Western “String of Pearls” rhetoric, scholars such as Daniel Kostecka and Raja Mohan argue that China follows a “places not bases” strategy, i.e., building a logistical support network in the Indian Ocean to back its presence. The “places” China has chosen are not the presumed “pearls”, and upgrading them into

⁵¹² Ministry of National Defense of the PRC, The PLAN’s 32nd convoy fleet set sail, http://www.mod.gov.cn/action/2019-04/04/content_4838876.htm.

⁵¹³ China Box Office, All Time China Box Ranking, (till Feb 2019), <http://www.cbooo.cn/Alltimedomestic>.

⁵¹⁴ The Hindu, China deploys warships in Indian Ocean, <http://www.thehindu.com/news/international/china-deploys-warships-in-indian-ocean/article22808463.ece>; Sina, 11 China’s warships are deployed across the Indian Ocean, <http://mil.news.sina.com.cn/jssd/2018-02-18/doc-ifyrrmye2493805.shtml>.

military ports is too costly in economic and diplomatic terms.⁵¹⁵ Moreover, in addition to eight 23000-ton 903 and 903A replenishment ships, two 50000-ton 901 fast combat support ships had entered service by February 2019.⁵¹⁶ In this way, relying on the supporting vessels and ports, the PLAN attempts to maintain a sustainable presence in the Indian Ocean.

Therefore, it is evident that China is well-prepared to normalize its naval presence in the Indian Ocean with the strengthening blue water fleets, in order to protect its SLOCs and growing overseas interests. However, China's determination inevitably collides with that of India. India deems the firm control over the Indian Ocean the crux of India's national security, making the Indian Ocean "India's Ocean" the optimal choice. As Kailash Kohli has asserted, "history has taught India two bitter lessons: firstly, that neglect of maritime power can culminate in a cession of sovereignty, and secondly, that it takes decades to revert to being a considerable maritime power after a period of neglect and decline."⁵¹⁷ Dating back to the founding era of modern India, statesmen such as Jawaharlal Nehru and Kavalam Panikkar had expressed the ideas that the Indian Ocean must remain truly Indian and anything that happens in the Indian Ocean region affects and is affected by India.⁵¹⁸ Presently speaking, the Indian Navy has gradually formed a clear strategy for the Indian Ocean supported by the government, and is conducting well-scheduled operations to reach eminence in the Indian Ocean.⁵¹⁹ Enunciated in the maritime security strategy, the foundation of India's maritime security is based on deterrence to prevent conflict and coercion against India while sea control, sea denial and SLOC interdiction are the keys of the Indian Navy's capabilities during

⁵¹⁵ Kostecka, D.J., 2011. "Places and bases: The Chinese navy's emerging support network in the Indian Ocean", *Naval War College Review*, 64(1), pp.59-78; Mohan, C.R., 2012. *Samudra Manthan: Sino-Indian Rivalry in the Indo-Pacific*. Brookings Institution Press, pp.128.

⁵¹⁶ Jane's 360, Second Type 901 carrier supply ship in service with PLAN, <https://www.janes.com/article/86320/second-type-901-carrier-supply-ship-in-service-with-plan>.

⁵¹⁷ Kohli, K.K., 1996. "Maritime Power in Peace and War—an Indian View", *African Security Studies*, 5(2), pp.23-27.

⁵¹⁸ Scott, D., 2006. "India's "grand strategy" for the Indian Ocean: Mahanian visions", *Asia-Pacific Review*, 13(2), pp.97-129.

⁵¹⁹ Scott, D., 2013. "India's Aspirations and Strategy for the Indian Ocean—Securing the Waves?", *Journal of Strategic Studies*, 36(4), pp.484-511.

conflicts.⁵²⁰ In this fashion, driven by strategic thought and specific imperatives, India has adopted a clear strategy to build up its command of the Indian Ocean. Therefore, the collision between China and India in their strategies seems to cause a minor “security dilemma”, impelling both sides to hedge in order to manage uncertainties. To China, the “self-hedge” is to strengthen its power projection capabilities and endurance in the Indian Ocean. While to India, the hedge is to introduce other great powers to the Indian Ocean to balance China’s growing naval presence.

Nevertheless, it is misleading to exaggerate the “security dilemma” in the Indian Ocean between China and India, which overestimates the extent of the hedge. To India, as scholars such as David Brewster assert, India enjoys an overwhelming geographical advantage and broader security relationship. Thus, instead of a “security dilemma” for both sides, it is China’s “dilemma” due to the unmitigable vulnerabilities in the Indian Ocean.⁵²¹ In this way, as long as India does not pursue an exclusive dominance in the Indian Ocean, the operation scope and frequency of the PLAN are tolerable for India. Given the inherent disadvantages in the Indian Ocean, China has neither the will nor the capability to pursue “absolute security”, that is to say, the rise of the Indian Navy is unlikely to provoke tit-for-tat countermeasures from the PLAN. More importantly, given the presence of the much stronger US Navy in Diego Garcia and the Persian Gulf which commands the Indian Ocean SLOCs, neither India nor China can seek exclusive dominance or absolute security. Furthermore, according to the optimists, given the nominal convergence of the strategic visions for the Indian Ocean, China, India and the US have collaborated on some basic issues within some multilateral frameworks, which may open the way for a trilateral dialogue in matters related to high politics.⁵²²

⁵²⁰ Indian Navy, Ensuring Secure Seas: Indian MARITIME Security Strategy, https://www.indiannavy.nic.in/sites/default/files/Indian_Maritime_Security_Strategy_Document_25Jan16.pdf.

⁵²¹ Brewster, D., 2014. “Beyond the ‘String of Pearls’: is there really a Sino-Indian security dilemma in the Indian Ocean?”, *Journal of the Indian Ocean Region*, 10(2), pp.133-149; Brewster, D., 2015. “An Indian Ocean dilemma: Sino-Indian rivalry and China’s strategic vulnerability in the Indian Ocean”, *Journal of the Indian Ocean Region*, 11(1), pp.48-59.

⁵²² Singh, A.G., 2016. “India, China and the US: strategic convergence in the Indo-Pacific”, *Journal of the Indian Ocean Region*, 12(2), pp.161-176.

Furthermore, examined in terms of the broader Sino-Indian rivalry and Indian national security context, the controversy in the Indian Ocean only holds a peripheral position in both countries' grand strategy. India is located in a complex threat environment. Contrary to the favorable position in the sea, India is in an adverse position to China on land due to the Himalayas and the Tibetan Plateau. The boundary and territory disputes with Pakistan and China pose more devastating menaces to India, which may escalate to a destructive conflict or war with the modernizing Pakistani and Chinese forces. Just in two years, India ran into the Doklam Standoff with China in June 2017 and the border skirmish with Pakistan in February 2019. As China and Pakistan have formed a solid strategic nexus for balancing India, the threats from these two sides are thus interconnected. Moreover, the stronger People's Liberation Army Air Force (PLAAF) and People's Liberation Army Rocket Force (PLARF) also constitute asymmetrical advantages over India, without mentioning the nuclear force of China and Pakistan.⁵²³ Hence, the lethal weakness of India on land is likely to neutralize its considerable advantage in the Indian Ocean. Additionally, shown in India's strategic history, the demanding northern and northwestern defense would encroach on the available budget for the navy, which will undermine its maritime advantage in turn.⁵²⁴ Therefore, it is misleading for researchers to build their arguments on a plausible "security dilemma", for topics about the Indian Ocean and Sino-Indian relations.

As a result, rather than being bogged down in the "security dilemma" logic, India has adopted a pragmatic approach to engage with China and refrains from provoking China, against the backdrop that India can hardly reverse the overall disadvantage to China, manifested by Modi's two visits to China in April and June 2018, and his inaugural address in the Shangri-La Dialogue in June 2018, after the Doklam Standoff in June 2017.⁵²⁵ After all, China and India do pose a military threat to each other, but the

⁵²³ Pant, H.V. and Bommakanti, K., 2019. "India's national security: challenges and dilemmas", *International Affairs*, 95(4), pp.835-857.

⁵²⁴ Scott, D., 2006. "India's "grand strategy" for the Indian Ocean: Mahanian visions", *Asia-Pacific Review*, 13(2), pp.97-129.

⁵²⁵ Rai, A., 2018. "Quadrilateral Security Dialogue 2 (Quad 2.0)—a credible strategic construct or mere "foam in the ocean"?", *Maritime Affairs: Journal of the National Maritime Foundation of India*, 14(2), pp.138-148.

priority of such threats is much lower than the other challenges they encounter, especially Taiwan and Pakistan respectively.⁵²⁶

In a broader sense, compared with the plausible “security dilemma” between China and India at a regional level, at a global level, the normalizing presence of the PLAN in the Indian Ocean, coupled with the fortifications in the South China Sea (SCS), herald a noteworthy trend that China attempts to undermine the US absolute dominance over the critical SLOCs. In other words, the Sino-US contradiction, rather than the Sino-Indian contradiction, is the principal contradiction in the Indian Ocean. In fact, instead of India, it is the US that firmly controls the Indian Ocean, and the unrivaled US Navy can interdict any critical SLOCs around the globe. In this sense, given China’s pursuit of keep stable communication with upstream resources and downstream markets, China has come to recognize the US as its principal opposing force in the Indian Ocean.

Considering the comprehensive advantages of the US Navy, the PLAN itself refrains from challenging US dominance on the high seas. Instead, China tends to adopt an indirect approach to strike a strategic balance with the US. As illustrated in Chapter Three, thanks to the advancement of the A2/AD and the fortification of the SCS, China has made headway in undermining US absolute maritime control over the SCS and the Western Pacific. In a broader sense, the most crucial SLOC for China is the Northern Indian Ocean-Strait of Malacca-South China Sea-Western Pacific SLOC, thus China’s increasing influence in the SCS and the Western Pacific, namely, China’s near seas, can cripple the absolute sea control of the US. Given China’s strengthening naval capabilities in these critical waters, it is impractical for the US to build an exclusive US-dominated maritime order keeping China’s growing influence at bay.

From the view of China, US “free navigation” in the name of “freedom of seas” poses a threat to China’s national security and exacerbates the fragile mutual trust between

⁵²⁶ Holslag, J., 2009. “The persistent military security dilemma between China and India”, *Journal of Strategic Studies*, 32(6), pp.811-840.

them.⁵²⁷ In this sense, China's assertiveness in the SCS is primarily targeting the US. To the SCS claimants, China has largely restrained its assertiveness after showing resolve and building up deterrence in the SCS. As a "cautious coercer", China follows the cost-balancing logic in a risk-averse way, exhibited by the fact that China seldom resorts to blatant military coercion and tends to defend its status quo rights instead of expanding its control.⁵²⁸ For fending off the assertive US Navy, the SCS land reclamation is still underway even though China has largely resumed rapprochement with the claimants. These operations allow China to tighten the de facto control over the SCS and encroach on the scope absolutely controlled by the US. The control over the SCS helps China shake US absolute control over the Northern Indian Ocean-Strait of Malacca-South China Sea-Western Pacific SLOCs, enabling China to strike a basic strategic balance with the US in the open sea, especially in the Indian Ocean, with a much weaker fleet. Based on such a strategic balance, China can partly reconcile the assertiveness in the near seas with the cooperative and peaceful manner in the far seas.⁵²⁹ In other words, thanks to the assertive near seas operations by the "peace through strength" logic, China can earn a chance to cooperate with the much stronger US on an equal footing as the weaker side. Furthermore, in the far seas, China's maritime presence in the Indian Ocean gains more solid buttress with the construction of the CPEC and the CMEC overland. The twin bridgeheads in Djibouti and Gwadar also support China's normalizing maritime presence by the critical SLOCs of the Gulf of Aden and the Strait of Hormuz.

Therefore, guaranteed by the strategic balance and supported by the overseas ports, the PLAN is expected to appear on the crucial Northern Indian Ocean-Strait of Malacca-South China Sea-Western Pacific SLOCs more frequently to safeguard China's

⁵²⁷ Morton, K., 2016. "China's ambition in the South China Sea: is a legitimate maritime order possible?", *International Affairs*, 92(4), pp.909-940; Liff, A.P. and Ikenberry, G.J., 2014. "Racing toward tragedy?: China's rise, military competition in the Asia Pacific, and the security dilemma", *International Security*, 39(2), pp.52-91.

⁵²⁸ Zhang, K., 2019. "Cautious Bully: Reputation, Resolve, and Beijing's Use of Coercion in the South China Sea", *International Security*, 44(1), pp.117-159; Fangyin, Z., 2016. "Between assertiveness and self-restraint: understanding China's South China Sea policy", *International Affairs*, 92(4), pp.869-890.

⁵²⁹ Wu, Z., 2019. "Towards naval normalcy: 'open seas protection' and Sino-US maritime relations", *The Pacific Review*, pp.1-28.

globalizing economy. In a broader de-American blueprint, China's determination to reach a basic strategic balance with the US is illustrated by the PLAN's enlarging power projection scope covering the critical SLOCs for China's global trade and investment. Nevertheless, the absolute control of critical SLOCs is the foundation of US global hegemony, which enables the US to supervise global trade. In a broader view, the Sino-US maritime competition is the epitome of the Sino-US power struggle. Thus, the increasing naval presence of the PLAN in these SLOCs is bound to invoke US retaliation as the US is inclined to regard such presence as encroachment on its exclusive interests. In this way, combining the Indian Ocean with the SCS in a unified framework, it is evident that China regards the Sino-US contradiction in the Indian Ocean as the principal one in its strategy, instead of the Sino-Indian one. In the same vein, rather than India, the US is impacted more by the growing presence of the PLAN in the Indian Ocean.

However, it is misleading to overstate China's capabilities to rewrite the US-led Indian Ocean order. Presently speaking, despite the fact that China has set foot in the Gwadar port, it has a long way to go before challenging US supremacy in the Middle East, which is composed of over 54000 soldiers in 14 Middle Eastern countries and the fifth fleet's homeport in Bahrain.⁵³⁰ China's presence in Djibouti should not be exaggerated either. Taking advantage of its geographical position, Djibouti takes renting out land for foreign military bases as its major fiscal sources. Until 2019, seven countries have military and support bases in Djibouti, including Japan which is constrained by Article Nine of Japan's Constitution. China's base is just miles from the US Camp Lemonnier, its only permanent military base in Africa.⁵³¹ Therefore, given the huge gap of strength between China and the US, from the Chinese perspective, its attempts are no more than

⁵³⁰ Press TV, American military bases in Middle East. Why does US have them?, <http://www.presstv.com/Detail/2018/01/30/550726/How-many-military-bases-US-has-in-Middle-East>; The Heritage Foundation, 2017 Index of US military Strength, Middle East, <https://index.heritage.org/military/2017/assessments/operating-environment/middle-east/>.

⁵³¹ Huffpost, Why China and Saudi Arabia Are Building Bases in Djibouti, https://www.huffingtonpost.com/joseph-braude/why-china-and-saudi-arabi_b_12194702.html; BBC, US military steps up operations in the Horn of Africa, <http://www.bbc.co.uk/news/world-africa-26078149>; The New York Times, U.S. Wary of Its New Neighbor in Djibouti: A Chinese Naval Base, <https://www.nytimes.com/2017/02/25/world/africa/us-djibouti-chinese-naval-base.html>.

building up a framework to engage with the Indian Ocean affairs for defending its critical SLOCs.

To sum up, driven by the concerns about the unprotected maritime lifelines and overseas interests, China is steadily expanding its maritime presence in the Indian Ocean for defensive intentions, which inevitably collides with the interests of both India and the US. India views China's growing naval presence in the Indian Ocean as "intruding" into India's "backyard". However, taking India's overall disadvantages to China and the heavy pressure in India's north into consideration, such presence is unlikely to impact Sino-Indian relations critically. In contrast, in a broader Sino-US maritime competition and power struggle context, the Sino-US contradiction in the Indian Ocean will be the principal one with China's extension to the Indian Ocean. Since China has achieved a relatively credible A2/AD in the Western Pacific and strengthened the de facto control in the SCS, the US absolute control of the critical SLOCs has been partially undermined. In this way, taking these two parts together, it is foreseeable that Sino-US relations will be negatively impacted by China's increasing naval presence.

7.2 India's Strategic Independence and the Myth of "Indo-Pacific"

The maritime disputes between China and the West reflect the collision between the extending interests of China and the vested interests of the West, which are emblematic of a broader Sino-Western competition. In this sense, for balancing China's expanding naval capabilities and normalizing maritime presence along the critical SLOCs, the US, Japan, Australia and India have joined hands to tailor a series of concepts to establish the logical foundation for enlarging the containment of China, such as the "Indo-Pacific" and the "Quadrilateral Security Dialogue (Quad)".⁵³²

⁵³² Pan, C., 2014. "The 'Indo-Pacific' and geopolitical anxieties about China's rise in the Asian regional order", *Australian Journal of International Affairs*, 68(4), pp.453-469.

Although the notion of the “Indo-Pacific” can be traced back to German geopolitician Karl Haushofer in the 1920s, this concept gained significance for the first time in politics in 2007 when Japanese Prime Minister Shinzo Abe called for Japan-Indian cooperation for an “arc of freedom and prosperity” in the Indian Parliament. In the same year, Japan, India, the US and Australia held the first Quad meeting to associate the two concepts and take the affairs of the Indian Ocean and the Pacific Ocean into a unified framework. After Abe’s resignation, this pair of concepts were no longer trendy in policies, but the unified framework was still developed by scholars in academia.⁵³³ In the early 2010s, adopted by the US Secretary of State Hillary Clinton and Indian Prime Minister Manmohan Singh, the term Indo-Pacific returned to the limelight in response to China’s rise, together with the TPP and the Pivot to Asia.⁵³⁴ In 2012, when Abe was made Japanese Prime Minister once more, he resumed the “broader Asia” ambition to seek further cooperation with India and a proposed “Free and Open Indo-Pacific Strategy” in 2016. In accordance with the US 2017 National Security Strategy, the Indo-Pacific was listed as an independent item for the first time and China was targeted as the primary adversary in this region, which was further confirmed by the Indo-Pacific Strategy Report in 2019.⁵³⁵ In practice, in 2017, the Quad was resumed while in 2018, the US Pacific Command was renamed the US Indo-Pacific Command, which laid the framework for the operations in the Indo-Pacific. In the 2018 Shangri-La Dialogue, the Indo-Pacific was mentioned 92 times compared to 5 times in the 2017 Dialogue, signifying the popularity of this concept. Consequently, the Indo-Pacific and the Quad have become hot topics in policy and academic debates about the affairs of this region,

⁵³³ For instances, Kaplan, R.D., 2011. *Monsoon: the Indian Ocean and the future of American power*. Random House Trade Paperbacks; Mohan, C.R., 2012. *Samudra Manthan: Sino-Indian Rivalry in the Indo-Pacific*. Brookings Institution Press.

⁵³⁴ Hillary Clinton, American’s Engagement in the Asia-Pacific, <http://www.state.gov/secretary/rm/2010/10/150141.htm>; Hillary Clinton, American’s Pacific Century, Foreign Policy, <http://foreignpolicy.com/2011/10/11/americas-pacific-century>; Manmohan Singh, Opening Statement by Prime Minister at Plenary Session of India-ASEAN Commemorative Summit, <http://mea.gov.in/Speeches-Statements.htm?dtl/20981/Opening+Statement+by+Prime+Minister+at+Plenary+Session+of+IndiaASEAN+Commemorative+Summit>.

⁵³⁵ The White House, 2017 National Security Strategy of the United States of America, <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>; The Department of Defense, Indo-Pacific Strategy Report: Preparedness, Partnerships, and Promoting a Networked Region, <https://media.defense.gov/2019/Jul/01/2002152311/-1/-1/1/DEPARTMENT-OF-DEFENSE-INDO-PACIFIC-STRATEGY-REPORT-2019.PDF>.

which covers over half of the earth.⁵³⁶ In terms of evolution, it is evident that the principal motive of the US is to enlarge the encirclement containing China with more allies. In this sense, it is more practical to interpret the Indo-Pacific as a westward expansion of the US hub and spoke system in the Asia-Pacific. Therefore, unlike the Asia-Pacific, the Indo-Pacific focuses on supporting India to contain China. Otherwise, it would be counterproductive for the US to invent such a concept that ends in serving India's interests instead of those of the US.

Under the mounting economic and military pressure of China from both land and sea, India seems to join US encirclement to contain China actively. However, considering India's strategic tradition of pragmatism, flexibility and strategic autonomy, India is expected to take advantage of this framework to expand its influence and interests, instead of functionally serving US anti-China strategy. In fact, such a tendency has been notable in the contrasting statements released by the Quad members separately after the dialogue in November 2017. Unlike the US version that highlighted "rule-based order", "freedom of navigation and overflight", "international law" and "prudent financing", India emphasized "free, open, prosperous and inclusive" and avoided the terms the US adopted which connoted geopolitical confrontation against China. India also underscored that the Act East Policy proposed by itself was the cornerstone of its engagement in the Indo-Pacific, indicating the divergent strategic logic India would follow.⁵³⁷ India reiterated that the Indo-Pacific should be an economic framework that is inclusive and cooperation-oriented, and India's approach to regional construction should be respected. In other words, India intends to take advantage of the Indo-Pacific framework to expand its own interests, not vice versa.⁵³⁸

⁵³⁶ For more specific information about the evolution of these two concepts, please see Choong, W., 2019. "The return of the Indo-Pacific strategy: an assessment", *Australian Journal of International Affairs*, pp.1-16; Rai, A., 2018. "Quadrilateral Security Dialogue 2 (Quad 2.0)—a credible strategic construct or mere "foam in the ocean"?", *Maritime Affairs: Journal of the National Maritime Foundation of India*, 14(2), pp.138-148; Gu Quan, "Rise of Indo-Pacific: Conception and Policy", *Forum for World Economics and Politics*, 2018 (6), pp.82-98. (顾全: 《“印太”的兴起: 从概念到政策》, 《世界经济与政治论坛》)

⁵³⁷ US Department of State, Australia-India-Japan-U.S. Consultations on the Indo-Pacific, <https://www.state.gov/australia-india-japan-u-s-consultations-on-the-indo-pacific/>; Ministry of External Affairs of India, India-Australia-Japan-U.S. Consultations on Indo-Pacific (November 12, 2017), https://mea.gov.in/press-releases.htm?dtl/29110/IndiaAustraliaJapanUS_Consultations_on_IndoPacific_November_12_2017.

⁵³⁸ Lin Minwang, "The Construction of "Indo-Pacific" and the Tension of Asian Geopolitics", 2018(1), *Foreign*

India has long boasted its strategic autonomy and non-alignment policy, which are the essence of Nehruvianism.⁵³⁹ During the Cold War, despite the fact that India had once been as close as “semi-alliance” with both the US and the Soviet Union, India had never abandoned its non-alignment policy. As India’s strategic autonomy is characterized by ambiguity or flexibility, India has used to adjust its foreign policy on its own will according to its interests. India also takes ambiguity as a policy to preserve strategic autonomy while maximizing its interests and security. In the debate over whether India’s grand strategy has changed after the Cold War, the mainstream argues that continuity constitutes the foundation of India’s grand strategy nowadays, which is still marked by Nehruvianism to a large extent.⁵⁴⁰ Therefore, against the new geopolitical backdrop that China is rising rapidly and building a tighter nexus with Pakistan, India is predicted to move closer to the West to hedge China as it had done during the Cold War. However, given India’s flexibility in foreign policy, India is unlikely to seek a formal alliance with the West against China, which seems to encroach on its strategic autonomy and elbow room.⁵⁴¹

In pursuit of strategic autonomy, India has shifted the emphasis of its grand strategy to the economic realm, especially in Prime Minister Narendra Modi’s tenure. Driven by Modi’s craving for economic growth, India has set a pragmatic growth-oriented agenda to promote development, shown by policies like Act East, Extended Neighborhood, and activities such as seeking investment, boosting trade and introducing technology.⁵⁴²

Affairs Review, pp.16-35 (林民旺:《“印太”的建构与亚洲地缘政治的张力》,《外交评论》)。

⁵³⁹ Khilnani, S., 2014. *Nonalignment 2.0: A Foreign and Strategic Policy for India in the 21st Century*. Penguin UK; Sridharan, E., 2017. “Where is India headed? Possible future directions in Indian foreign policy”, *International Affairs*, 93(1), pp.51-68; Basrur, R., 2017. “Modi’s foreign policy fundamentals: a trajectory unchanged”, *International Affairs*, 93(1), pp.7-26.

⁵⁴⁰ For more information about these two schools, please see Chatterjee Miller, M. and Sullivan de Estrada, K., 2018. “Continuity and change in Indian grand strategy: The cases of nuclear non-proliferation and climate change”, *India Review*, 17(1), pp.33-54; Bajpai, K., 2017. “Narendra Modi’s Pakistan and China policy: assertive bilateral diplomacy, active coalition diplomacy”, *International Affairs*, 93(1), pp.69-91; Fair, C.C., 2018. *Waiting for Lord Curzon: India’s Grand Strategy in the Long Shadow of Nehru*. Available at SSRN 3271245.

⁵⁴¹ Pant, H.V. and Super, J.M., 2015. “India’s ‘non-alignment’ conundrum: a twentieth-century policy in a changing world”, *International Affairs*, 91(4), pp.747-764.

⁵⁴² Chacko, P., 2014. “The rise of the Indo-Pacific: understanding ideational change and continuity in India’s foreign policy”, *Australian Journal of International Affairs*, 68(4), pp.433-452; Ahuja, A. and Kapur, D., 2018. “India’s geo-economic strategy”, *India Review*, 17(1), pp.76-99. For the general review of India’s pragmatic diplomacy, please see Miller, M.C. and Sullivan de Estrada, K., 2017. “Pragmatism in Indian foreign policy: How

India's pragmatism is also manifested in its cooperation with China and Japan. Despite the fact that India has unequivocally rejected the possibility to attend the BRI because the CPEC crosses the disputed territory between India and Pakistan, India still actively attends the China-promoted AIIB, which is widely deemed the financial support of the BRI. A number of Indian former officers and scholars support a selective engagement with the BRI, which can be used to serve India's interests.⁵⁴³ In a broader view, even though China stands as the source of threat in the north and the BRI advances in India's neighborhood, India still eagerly attends the SCO and exploits the BRICS to elevate its global status. In this sense, in an era when economic interdependence can coexist with strategic competition, building stronger economic ties with China is in accordance with India's grand strategy.⁵⁴⁴ The same is true for Japan. Japan largely follows India's agenda in development, including supporting "Make in India", offering Official Development Assistance (ODA) to India's infrastructure, education and agriculture, as well as boosting regional connectivity, such as the Chabahar port in Iran and the Trincomalee port in Sri Lanka.⁵⁴⁵ While Japan's investment and technology enable India to enhance power and consolidate regional leadership, India can hardly offer reciprocal help to Japan in return. In fact, adopting a pragmatic approach, India takes advantage of Sino-Japanese competition and has its bread buttered on both sides.

Therefore, compared with a geopolitics-oriented Indo-Pacific, India prefers an economy-oriented Indo-Pacific, which is conducive to cement its leadership in this region by deepening regional cooperation and enhancing the connectivity centered on India. In this sense, the Indo-Pacific concept is not conceived for India's constructive regional ambition, but instead aims at undermining China's Indian Ocean ambition. For

ideas constrain Modi", *International Affairs*, 93(1), pp.27-49.

⁵⁴³ Wu, F., 2019. "India's Pragmatic Foreign Policy toward China's BRI and AIIB: Struggling for Relative and Absolute Gains", *Journal of Contemporary China*, pp.1-15; Sachdeva, G., 2018. "Indian perceptions of the Chinese Belt and Road initiative", *International Studies*, 55(4), pp.285-296; Palit, A., 2017. "India's economic and strategic perceptions of China's Maritime Silk Road Initiative", *Geopolitics*, 22(2), pp.292-309.

⁵⁴⁴ Basrur, R., 2019. "The BRI and India's Grand Strategy", *Strategic Analysis*, 43(3), pp.187-198.

⁵⁴⁵ Yoshimatsu, H., 2019. "Partnership against the rising dragon? Japan's foreign policy towards India", *The Pacific Review*, pp.1-27; Garge, R., 2016. "The India-Japan strategic partnership: evolving synergy in the Indo-Pacific", *Australian Journal of Maritime & Ocean Affairs*, 8(3), pp.257-266.

the purpose of counterbalancing China's MSR and consolidating India's leadership in the Indian Ocean, India has promoted the International North South Transport Corridor (INSTC) to connect India with Inner Asia and Northern Europe via Iran, of which the Chabahar port is the flagship project, in parallel with the Gwadar port of the CPEC.⁵⁴⁶ Also, India has pushed forward the Bangladesh, Bhutan, India, Nepal Initiative (BBIN) as a complement to the Act East and the Asian-African Growth Corridor (AAGC), both of which are perceived as responses to the BRI.⁵⁴⁷ However, it is misleading to oversimplify the complex South Asian situation to a simple Sino-Indian "great game". According to classical geopolitics, even without the BRI, South Asian countries will still introduce China to hedge India's predominance in this region. Geopolitically speaking, it is natural for India's neighbors to caution about India's influence and play the "China card" to hedge India's assertiveness, which has been shown repeatedly in history.⁵⁴⁸ These secondary countries also tend to hedge when their strategic autonomy is compromised in cooperating with the major powers, though they will reap economic gains from it.⁵⁴⁹ Therefore, India has drawn a clear roadmap to regional leadership, in which the BRI is not taken as a major obstruction. Instead of following the Indo-Pacific agenda set by the Quad blindly, India is inclined to take advantage of this framework to advance its regional strategy while attempting to maximize economic and geopolitical dividends from a Sino-US collision.

To sum up, given its long-cherished strategic autonomy, India will not downgrade itself to functionally contain China for the interests of the US within the Quad framework, which can neither elevate its global status nor promote its economic development. In the geopolitics-oriented Indo-Pacific logic trap, Sino-Indian confrontation is made inevitable and India's value is restricted to containing China. If China and India were

⁵⁴⁶ Gogna, S., 2019. "Assessing India's Engagements in the INSTC and Analysing its Implications on India's Commercial and Strategic Interests", *Strategic Analysis*, 43(1), pp.1-12.

⁵⁴⁷ Blah, M., 2018. "China's belt and road initiative and India's concerns", *Strategic Analysis*, 42(4), pp.313-332.

⁵⁴⁸ Chung, C.P., 2018. "What are the strategic and economic implications for South Asia of China's Maritime Silk Road initiative?", *The Pacific Review*, 31(3), pp.315-332; Wagner, C., 2016. "The Role of India and China in South Asia", *Strategic Analysis*, 40(4), pp.307-320.

⁵⁴⁹ Lim, D.J. and Mukherjee, R., 2019. "Hedging in South Asia: balancing economic and security interests amid Sino-Indian competition", *International Relations of the Asia-Pacific*, 19(3), pp.493-522.

locked in such a confrontational logic, the US can kill two birds with one stone, namely, attenuating the rising momentum of China while forestalling the emerging rise of India. In this way, the US can reassert its dominance in the international order by locking the two most-populated powers into confrontation with each other instead of challenging US leadership. In contrast, in an economy-oriented Indo-Pacific concept, China and India are not supposed to be confrontational, but both are the economic powerhouse of the Indo-Pacific. In this sense, India seems to seek support from the Quad, which are strategic partners instead of allies, to counteract China's growing geopolitical and economic presence in South Asia. Nevertheless, India will hardly escalate its grudge against China to a tit-for-tat Sino-Indian confrontation for the Quad's interests at the expense of its own national security and economic development. Therefore, although China is a key factor driving India to move closer to the Quad, given India's pragmatic posture, it is premature to assert that an Indo-Pacific policy framework will be effective in containing China's westward influence.

7.3 Promoting Economic Development and Elevating Global Status:

China Catering to India's Primary Strategic Objectives

It is true that "encirclement" against India has been objectively formed by China's overall rise, mounting military pressure in the north and increasing naval presence in the south. Given these structural contradictions, China is driven to seek a new common ground of interests to reshape Sino-Indian relations in an attempt to win India's neutrality or ambiguity. India prioritizes two overarching goals, i.e., faster economic growth and higher global status. A stronger economy enables India to gain a better global status while a higher status facilitates India setting agendas promoting economic growth and national security at the global level.⁵⁵⁰ India's aspirations can mostly be satisfied by cooperating with China, which is the powerhouse of the global economy

⁵⁵⁰ Narlikar, A., 2017. "India's role in global governance: a Modi-fication?", *International Affairs*, 93(1), pp.93-111; Kumar, R., 2017. "India and the BRICS A Cautious and Limited Engagement", *International Studies*, 54(1-4), pp.162-179.

and a new leader of global governance. Frankly speaking, although China maintains a high-level strategic relationship with Pakistan to balance India in South Asia, Sino-Pakistan relations cannot be on a parity with Sino-Indian relations as India is an influential actor on the global arena while Pakistan is only helpful at the regional level. Globally speaking, the shared developing country identity makes China and India hold similar views on a series of issues, in particular on economic growth. Meanwhile, India's endorsement is critical for China to legitimize its endeavors in the global south. In this way, if they could manage to accommodate their contrasting interests, both of them stand to benefit from the spillover of further cooperation in the economic and political terms. Therefore, China attempts to create more shared interests with India to strengthen their interdependence and mitigate the structural contradiction, making India another strategic partner in these critical aspects.

Economic cooperation underlies the foundation of Sino-Indian relations. Thanks to its massive size and rapid growth, India is the chief target of the Indian Ocean-oriented MSR and the magnet for Chinese investments and exports, overtaking the sum of all other countries in this region. In 2018, India's economic size (\$2.97 trillion) had overtaken that of the UK (\$2.83 trillion) and France (\$2.76 trillion) and rose to become the fifth largest economy in the world, and is estimated to replace Japan as the third-largest economy in 2030.⁵⁵¹ According to Modi's ambitious plan, India aims to become a \$5 trillion economy by 2024.⁵⁵² Echoing Modi's "Make in India" policy, India has conducted a series of measures in a Friedrich List approach to push forward industrialization, ranging from the Goods and Services Tax (GST) reform unifying the domestic market to erecting tariff barriers for manufacturing, as high as 100% on certain items.⁵⁵³ India has spent \$1.1 trillion in infrastructure from 2008 to 2017 and

⁵⁵¹ IMF, GDP, <https://www.imf.org/external/datamapper/NGDPD@WEO/OEMDC/ADVEC/WEOWORLD>; Bloomberg, China Will Overtake the U.S. in Less Than 15 Years, <https://www.bloomberg.com/news/articles/2018-09-25/hsbc-sees-china-economy-set-to-pass-u-s-as-number-one-by-2030>.

⁵⁵² The Times of India, Prime Minister Narendra Modi elaborates on India's target to be \$5 trillion economy at EEF, <https://timesofindia.indiatimes.com/business/india-business/pime-minister-narendra-modi-elaborates-on-indias-target-to-be-5-trillion-economy-at-eeef/articleshow/70996674.cms>.

⁵⁵³ BBC, India GST: Sweeping tax reform introduced, <https://www.bbc.co.uk/news/world-asia-india-40453774>; Union Budget, Indian Union Budget 2018-2019, <https://www.indiabudget.gov.in/ub2018-19/bs/bs.pdf>, pp.52-pp.62.

committed to investing \$1.4 trillion from 2020 to 2025, which should set a solid foundation for India's economic takeoff according to China's experience.⁵⁵⁴ Taking electricity generation capacity, one of the key indicators of industrialization for instance, India (1561 Terawatt-hours) has reached the third place in the world, surpassing Japan (1051, 5th) and Germany (648, 7th) which are renowned for developed manufacturing, and only behind China (7111) and the US (4460).⁵⁵⁵

Although India seeks economic cooperation within the Quad framework, especially with Japan, China's economic influence can hardly be replaced in the foreseeable future. In terms of trade, Japan is the 13th largest import source of India with \$10.4 billion, taking up 2.3% of total imports while China is the largest source, accounting for 16.1% of India's total imports with \$72 billion, thrice that of the US, the second-largest source of India. Viewed by industrial sector, the figures for China-exported machinery and electronic, and petrochemical, which are indispensable to the industrialization of India, are \$40.3 billion and \$10.4 billion respectively, accounting for 48.7% and 26.8% of India's total imports of these items. Since the second largest source, the US, only supplies 6.9% and 8.5%, India can hardly find an alternative to China in quantity and quality in the short term.⁵⁵⁶ In this sense, given its higher position in the GVC and the impossibility of replacing all of imports from China, China is likely to benefit from India's economic growth and industrial upgrade, which will drive India to import more intermediate products from China. India's enhanced purchasing power will also create a broader market for China.

In terms of investment, China increasingly plays an indispensable role in promoting the industrialization of India. Presently speaking, Japan takes the lead in the foreign direct investment (FDI) inflow to India, accounting for 7.23% of India's cumulative FDI

⁵⁵⁴ The Economic Times, Finance Ministry sets up task force to identify infra projects for Rs 100 lakh crore investment, <https://economictimes.indiatimes.com/news/economy/infrastructure/finance-ministry-sets-up-task-force-to-identify-infra-projects-for-rs-100-lakh-crore-investment/articleshow/71022793.cms>.

⁵⁵⁵ BP, BP Statistical Review of World Energy 2019, <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2019-full-report.pdf>, pp.54.

⁵⁵⁶ Ministry of Commerce of the PRC, Reports of India's trade in 2017, <https://countryreport.mofcom.gov.cn/record/qikan110209.asp?id=9990>, table 3 and 12.

inflow with \$28.1 billion, only behind Mauritius's 33.13% and Singapore's 18.81%. China pales in comparison, with only \$2 billion and 0.53%, being ranked 18th.⁵⁵⁷ However, the FDI growth of China is much faster than that of Japan, as the amount was \$700 million in 2016 and tripled to \$2 billion in 2017, approaching closer to Japan's \$2.6 billion and \$4.7 billion. In the five-year FDI plan of India from 2018, China plays a leading role with \$35.7 billion, headed by Sany Heavy Industry's \$9.8 billion. Overall, China takes up 42% of the total FDI plan by value, followed by 24% from the US and 11% from the UK. For long-term development, China takes the lead in investing in India's startups and electronic manufacturing, which helps India upgrade its economic structure.⁵⁵⁸ When China engages in India's development in a deeper manner, China is expected to share in India's growth in a more profound way and create more shared interests.

At the global level, China and India share more common interests. For instance, in the face of rebounding oil prices and the discriminatory "Asian Premium", China and India, which consumed 17% of the world oil in 2017, sought to leverage the combined volume to bargain for a better deal with the oil producers, and this alliance may further embrace Japan and South Korea.⁵⁵⁹ Moreover, given the massive trade deficit of India to China, which reached \$59.5 billion in 2017, China aims to persuade India to support RMB-based transactions, forming a "Sino-Indian oil alliance" to reinforce the pricing power of China in energy and commodities while alleviating the foreign exchange shortage of India. In this way, taking advantage of the aggregated size, a partnership between China

⁵⁵⁷ Department of Industrial Policy and Promotion of India, FDI Statistics, <http://dipp.nic.in/publications/fdi-statistics>.

⁵⁵⁸ Forbes, How China Is Positioning Itself Among India's Top 10 Investors Despite Bilateral Differences, <https://www.forbes.com/sites/suparnadutt/2018/05/01/how-china-is-positioning-itself-among-the-top-10-investors-in-india-despite-bilateral-differences/#4e34c4d51dac>; The Economic Times, Led by Chinese, nearly 600 companies line up \$85 billion investments in India, <https://economictimes.indiatimes.com/news/economy/finance/led-by-chinese-nearly-600-companies-line-up-85-billion-investments-in-india/articleshow/61093929.cms>.

⁵⁵⁹ The Times of India, Crude reality forces India and China to consider oil alliance, <https://timesofindia.indiatimes.com/business/international-business/india-china-mull-cabal-to-counter-oil-cartel/articleshow/63737348.cms>; The Economic Times, India keen on alliance with China, Japan, Korea to bargain for better oil deals: Dharmendra Pradhan, <https://economictimes.indiatimes.com/industry/energy/oil-gas/india-will-network-with-asias-major-oil-buyers-to-negotiate-with-sellers/articleshow/63924317.cms?from=mdr>; Global Times, Joining forces can help China, India gain pricing power in global crude oil market, <http://www.globaltimes.cn/content/1098056.shtml>.

and India is hopeful of earning a better negotiating position, while as a smaller economy, India can free ride the size of China to reap more relative gains from these actions.⁵⁶⁰

With respect to international politics, China perceives India's rise as a positive factor in shaping a multipolar world in general. As emerging powers and developing countries, China and India share similar perspectives in reforming the existing international order to make it more inclusive of the growing pursuits of developing countries.⁵⁶¹ To China, as the international institutions it plans to establish are based on developing countries, as a leader of the global south, India's support is critical to the practice and legitimacy of those institutions. Furthermore, as developing and non-western countries, the partnership between China and India puts the representativeness of the current international order to the test, paving the way for a higher status of the global south in the order. India, given its pragmatic and status-seeking strategy, tends to leverage China-led international institutions, such as the AIIB and the NDB, to play a more prominent role in the global arena and seek resources for development. India can also exploit these platforms to promote its own ideas and norms, enabling it to be a normative power as well.⁵⁶² Moreover, it is also in the West's interests as India's participation can hedge China's influence in these institutions, for better regulating their impacts. In this way, it will be India itself that defines the strategic value of India, rather than the Quad or China.

As a matter of fact, given the fact that India is the weaker side in Sino-Indian relations, India prefers to push forward cooperation with China within the multilateral framework, in particular international ones, in which the stronger negotiating posture of China can be balanced. This logic is also reflected in India's "issue by issue approach" diplomacy towards China, through which to neutralize China's overall advantage.⁵⁶³ Moreover,

⁵⁶⁰ Downie, C., 2015. "Global energy governance: do the BRICs have the energy to drive reform?", *International Affairs*, 91(4), pp.799-812.

⁵⁶¹ Pu, X., 2017. "Ambivalent accommodation: status signaling of a rising India and China's response", *International Affairs*, 93(1), pp.147-163.

⁵⁶² Hall, I., 2017. "Narendra Modi and India's normative power", *International Affairs*, 93(1), pp.113-131.

⁵⁶³ Ye Hailin, "Research on Modi government's "issue by issue diplomacy" tactic towards China and India's attitude to the BRI from this perspective", *Journal of Contemporary Asia-Pacific Studies*, No.6, 2017 (叶海林:

Sino-Indian cooperation in the multilateral organizations is expected to set more agendas on economic issues, opening the way for China to advance global economic governance in favor of its interests while bringing India more investments. However, it is worthwhile to mention that Sino-Indian cooperation ends in areas where they no longer share a common identity as developing and non-western countries. Despite the fact that China welcomes India to play a more significant role on the global stage in general, China keeps India at arm's length on some critical issues, remarkably the UNSC permanent seat. On this point, China represents the vested interests of the ongoing international order. In other words, China tries to put a cap on India's global status and brakes India's attempt to become a first-class power in the global arena, where India would be on an equal footing with China.

To sum up, economically speaking, trade with China is critical for India's economy while the investment from China is crucial for India's industrial upgrade. Politically speaking, thanks to their aggregated size, China and India, as non-western countries, can rewrite some ongoing rules to create more shared interests, as they can do in crude oil imports. China's help can also elevate India's global status. To India, both economic growth and global status elevation, its overarching strategic goals, can be fulfilled by cooperating with China. Therefore, the shared interests created by China and India are expected to create a broader buffer zone for their inherent structural contradictions.

7.4 Preventing India from Becoming Next China: China's Strategic Precautions against India

Given the fact that India is the only country with a comparable population and economic growth rate with China, India seems to be a competitive rival of China in both the global production structure and the global power structure in the long run. India has two

《莫迪政府对华“问题外交”策略研究——兼论该视角下印度对“一带一路”倡议的态度》，《当代亚太》

overarching strategic goals, namely, economic growth and global status seeking. For elevating its status in the global production structure, India has conducted a series of measures to unify the domestic market and erect trade barriers for developing manufacturing. India also needs to develop a more robust economy to underpin its assertive appeals of enhancing status in the global power structure. Presently speaking, China generally welcomes the rise of India, which is conducive to create a multipolar world and represents the interests of emerging powers. However, in the long term, the core of China's Indian policy is to prevent India from becoming next China, which is supposed to challenge China's prestige in the global production structure and the global power structure. Western powers tend to regard a rising India as an ideal strategic partner to balance China. Nevertheless, a modernized India as developed as China, namely, five times its current economic scale with advanced manufacturing, will be too big to be accommodated by the international order. In this sense, ironically, when India rises to a higher level, the West and China will share common interests in balancing India. In fact, viewed from India's diplomatic history, its regional assertiveness and attempt to acquire nuclear weapons have been harshly opposed by the great powers, especially the US, in a typical offshore balancer approach. Therefore, while keeping relations with India positive in the foreseeable future, China is obliged to impose strategic pressure upon India as a "hedge" against an assertive India.

To China, the most cost-effective method to "hedge" an assertive India is to fully tap its geographic advantages on land. The populous Gangetic Plain is under the shadow of the Tibetan Plateau while India can hardly strike across the Himalayas to reach the hinterland of China. China also imposes escalating security pressure on India with the broadening connectivity between hinterland and Tibet, which have the potential to be transformed into military arteries in wartime. Specifically speaking, besides the Qinghai-Tibet railway inaugurated in 2006, the Sichuan-Tibet railway is planned to be completed by 2025, which is designed to reduce the transport time from Chengdu to Lhasa to 13 hours. With respect to the branch railway in Tibet, the crucial Lhasa-Shigatse line has been put into service while according to the Middle and Long-term

Railway Network Project, China will build the Shigatse-Yadong line, and Yadong is the very place where the 2017 Doklam standoff occurred. Also, the China-Nepal railway has been ratified by both governments, paving the way for China's influence to enter this Indian "exclusive domain".⁵⁶⁴ Theoretically speaking, China is able to project armored troops to Tibet in 13 hours and to the disputed border with India in 24 hours, substantially enhancing the military deployment flexibility. In a broader view, with the expanding railway network, China is on the way to acquire the capability of projecting armored troops to the Indo-Gangetic Plain from Pakistan, Nepal and the homeland. Therefore, more Indian troops are supposed to be pinned down in the northern frontline as the countermeasure to China's mounting military pressure.⁵⁶⁵

India's military expenditure was \$55.9 billion in 2017 and its fiscal revenue was \$248.7 billion, indicating that the military budget consumed 22% of the revenue while this ratio was only 6% for China.⁵⁶⁶ From the perspective of India, given the fact that both the overland and overseas threats from China are chiefly "byproducts" of China's military and domestic construction without taking India into strategic consideration, it is uneconomical for India to wage an "arms race" targeting China. In the foreseeable future, in addition to creating more shared interests with India in economic growth and global status elevation, following bottom-line thinking (底线思维), China also counts on its overall military advantage to deter India from crossing the "red line", in order to

⁵⁶⁴ The State Council of the PRC, Middle and long term railway network project, <http://www.gov.cn/xinwen/2016-07/20/5093165/files/1ebe946db2aa47248b799a1deed88144.pdf>; Xinhua Net, China will build the most dangerous railway, http://www.xinhuanet.com/politics/2017-07/05/c_1121270681.htm; People.cn, Lhasa-Shigatse railway opens to traffic, <http://finance.people.com.cn/n/2014/0817/c1004-25481334.html>; South China Morning Post, Nepal and China fast track rail link in aftermath of Sino-Indian border row, <http://www.scmp.com/news/china/diplomacy-defence/article/2110235/nepal-and-china-fast-track-rail-link-aftermath-sino>.

⁵⁶⁵ The Times of India, Army gets final nod to deploy 80,000 troops along China border, <https://timesofindia.indiatimes.com/india/Army-gets-final-nod-to-deploy-80000-troops-along-China-border/articleshow/26051747.cms>; The Indian Express, Eye on China, India to raise second division for mountain corps, <http://indianexpress.com/article/india/indian-army-eye-on-china-india-to-raise-second-division-for-mountain-corps-4572493/>; Aman Thakker, Amid Chinese Protests Over Arunachal Pradesh, India Stands Firm, <https://thediplomat.com/2018/01/amid-chinese-protests-over-arunachal-pradesh-india-stands-firm/>.

⁵⁶⁶ The Central Intelligence Agency, The World Fact Book, <https://www.cia.gov/library/publications/the-world-factbook/fields/2056.html>; Hindustan Times, India is fifth largest military spender with outlay of \$55.9b: SIPRI, <https://www.hindustantimes.com/world-news/india-is-fifth-largest-military-spender-with-outlay-of-55-9-bn-sipri/story-bOH1JVFUcnOxKH3XTdncSM.html>; Xinhua Net, China's military budget in 2017 is ¥1000 billion, with 7% growth, http://www.xinhuanet.com/politics/2017lh/2017-03/06/c_1120576159.htm; People.cn, The growth rate of 2017 fiscal revenue is 7.4%, <http://money.people.com.cn/n1/2018/0126/c42877-29788281.html>.

keep Sino-Indian relations in a positive track. In this sense, neither China nor India will escalate the military antagonism in the border to a war. To India, it will hardly take the initiative to wage war against China risk a military catastrophe like the Sino-Indian war in 1962. China has no intention to entrap itself into a war against India, neither. As has been proven throughout history, war between great powers is easy to start but hard to stop. Although China boasts an overall advantage, it can hardly find a proper point to stop a war and seek rapprochement with India if war breaks out, regardless of the external supports to India. Therefore, the military factors and the border conflicts in Sino-Indian relations are mainly secondary issues and should not be exaggerated.

Besides military deterrence, China also regards developing India's neighbors as an effective method of neutralizing India's regional predominance. Theoretically speaking, when India's neighbors' economies get developed, the regional dominance of India can more easily be balanced. Following China's Indian Ocean-oriented strategy, some of India's neighbors are supposed to gravitate around China's economic orbit instead of India's, making South Asia more fragmented and harder for India to push forward its own regional integration. Geopolitically speaking, the South Asian situation shares a wide range of similarities with that of East Asia. To the major players in this region, China plays a role similar to the US, which is the largest external force. India plays a role identical to China, which is the natural regional leader but yet to be fully developed. As the second-largest player, Pakistan plays a role like Japan, which tends to hedge the rising regional leader by allying with the offshore balancer. Coupled with the religious feud and the territorial disputes, Pakistan plays a pivotal role in undermining India's primacy in South Asia. Accordingly, as an offshore balancer of South Asia, China's South Asian strategy is clear: to transform Pakistan into a South Asian version "Japan", a smaller but more advanced challenger. As Pakistan is the gateway to the Indian Ocean and China's bridgehead to interfere in South Asian affairs, the CPEC is entitled to be "the flagship project" of the BRI. Naturally, Pakistan becomes the only "all-weather strategic partner of cooperation" (全天候战略合作伙伴) of China, being nicknamed "Batie" (巴铁 iron brotherhood Pakistan) by Chinese folk and even the official

media.⁵⁶⁷

Nevertheless, noticing the widening gap between India and Pakistan, China has to supply Pakistan with more substantial assistance if China attempts to maintain a basic strategic balance in South Asia, even more for transforming Pakistan into “Japan”. Specifically speaking, in 2018, India’s GDP reached \$2.72 trillion while Pakistan was only \$312 billion, India’s economy was almost nine times the size of Pakistan’s; India’s GDP per capita was \$2015 but Pakistan’s was only \$1472, India enjoyed a nearly 40% advantage with a bigger population. With respect to GDP growth, India’s average growth rate outperformed that of Pakistan as well.⁵⁶⁸ Furthermore, Pakistan’s military budget took 17% of the total fiscal revenue in FY 2016-2017, with an 11% hike and it kept mounting faster than the economic growth rate, regardless of its climbing fiscal deficit.⁵⁶⁹ Basing on the above-mentioned factors, China has to assist Pakistan in underpinning its basic strategic demands.

Considering the unprecedented and ever-growing commitments from \$46 billion to \$55 billion then to \$62 billion, China has designed an explicit roadmap to bolster the infrastructure and industrial skeleton of Pakistan and duplicate “the China Model” in a hands-on approach. Exhibited in the CPEC projects, 21 projects are in the energy sector with a \$34 billion investment and eight projects are in the road and railway sector with a \$14 billion investment.⁵⁷⁰ The infrastructure projects are estimated to create 70,000 direct working positions annually and boost 1% to 2% GDP growth, which will create more jobs substantially.⁵⁷¹ In an economic opening-up logic similar to China, Pakistan

⁵⁶⁷ Garlick, J., 2018. “Deconstructing the China–Pakistan economic corridor: pipe dreams versus geopolitical realities”, *Journal of Contemporary China*, 27(112), pp.519-533; Shih, C.Y., 2018. “Identities in Sino-Pakistani ‘Iron Brotherhood’: Theoretical Implications beyond the Economic Corridor”, *The Chinese Journal of International Politics*, 11(2), pp.131-152.

⁵⁶⁸ The World Bank, GDP (current US\$), GDP growth (annual %), GDP per capita (current US\$), <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD>.

⁵⁶⁹ Pakistan Revenue, Budget deficit at 5.8pc in 2016/2017: finance ministry, <http://www.pkrevenue.com/budget-2015-16/budget-2016-2017/budget-deficit-at-5-8pc-in-20162017-finance-ministry/>; The Express Tribune, 11% hike in defense budget maintained, <https://tribune.com.pk/story/1116017/11-hike-defence-budget-maintained/>; Dawn, Defense budget set at Rs 920.2bn for FY2017-18, <https://www.dawn.com/news/1335574>.

⁵⁷⁰ The Express Tribune, CPEC investment pushed from \$55b to \$62b, <https://tribune.com.pk/story/1381733/cpec-investment-pushed-55b-62b/>; CPEC, CPEC-Energy Priority Projects, <http://cpec.gov.pk/energy/>; CPEC Infrastructure Projects, <http://cpec.gov.pk/infrastructure/>; CPEC, CEPC Projects, <http://cpec.gov.pk/>.

⁵⁷¹ Xinhua Net, Wang Yi: The achievements of the CEPC is concrete and has not exacerbated Pakistan’s burden,

plans to set up 37 SEZs within the CPEC framework.⁵⁷² In such a manner, Pakistan is on the way to lay the foundation to exert its comparative advantage in the labor-intensive industries, which enables Pakistan to exploit the population advantage and participate in the global division of labor. More importantly, such an “infrastructure plus job” approach can inclusively benefit the local people with social modernization, which is conducive to advance the nation-building of Pakistan.⁵⁷³

In conclusion, China regards preventing India from becoming next China as another overarching goal in Sino-Indian relations. In parallel with Sino-Indian economic and strategic cooperation, China resorts to military and engineering methods to keep the pressure on India's national security, which is projected to distract India's resources from developing its economy at full speed. Meanwhile, China has also made its efforts to develop other South Asian countries, which is expected to further fragment South Asia and neutralize India's regional leadership. More remarkably, as China has been committed to transforming Pakistan into a proxy as powerful as “Japan” in South Asia, China seeks to further deplete the momentum of India's growth by raising its security concern.

7.5 Conclusion

For the purpose of extending protection to the nation's broadening economic reach, in particular the growing interests in the BRI, the PLAN is driven to normalize its presence in the Indian Ocean, which reshapes the existing Indian Ocean order objectively. The US enshrines the absolute control over the crucial Northern Indian Ocean-Strait of Malacca-South China Sea-Western Pacific SLOCs as a foundation of its global hegemony. As a result, the US interprets China's fortification in the SCS and its normalizing naval presence in the Indian Ocean as encroaching on US hegemony.

http://www.xinhuanet.com/politics/2018-09/08/c_1123400053.htm.

⁵⁷² Khan, Mubarak., 37 special zones to boost production, <https://www.dawn.com/news/1314264>.

⁵⁷³ Ahmed, Z.S., 2019. “Impact of the China–Pakistan Economic Corridor on Nation-Building in Pakistan”, *Journal of Contemporary China*, 28(117), pp.400-414.

Furthermore, given the significance of the Indian Ocean to India's grand strategy, China's increasing presence in the Indian Ocean is unwelcome. However, located in a complex strategic surrounding, India is more concerned about the overland menace from China and Pakistan than the overseas one, thus the naval presence factor on its own is unlikely to critically jeopardize Sino-Indian relations. In contrast, the US is more upset about China's growing naval presence in the Indian Ocean, which challenges its maritime dominance. Therefore, India takes advantage of its relatively neutral posture to reap benefits from both the US and China while promoting the India-centered regional strategy. India prefers the economy-oriented Indo-Pacific to the geopolitics-oriented Indo-Pacific. As a matter of fact, India seeks support from the Quad and at the same time benefits from trade and industrial cooperation with China. Moreover, India seeks to leverage the China-championed international institutions to elevate its global status, which is accepted by both China and the West. Inheriting its long-cherished tradition of pragmatism and flexibility, India can maximize the profits while preserving its strategic autonomy. In this way, China has cashed in on India's autonomy to manage Sino-Indian relations on a new common ground of interests. Catering to the two overarching strategic objectives of India, namely, promoting economic growth and elevating global status, China attempts to create more shared interests with India through broader cooperation to make up for the lost interests of India, mitigating the structural contradictions. Meanwhile, to prevent India from becoming the next China, China also keeps significant pressure on India in military terms, in order to distract its resources from entirely investing in economic development. China also regards pushing forward the development of South Asian countries, especially Pakistan, as the measures to balance India's predominance in South Asia. In the best scenario, the Indo-Pacific will not be the westward expansion of the Asia-Pacific, and India will not functionally contain China in the Indo-Pacific framework. That is to say, the Indo-Pacific framework will not work as a maritime encirclement of China without India's support, making it roll back to the existing Asia-Pacific. In consequence, China can normalize its presence in the Indian Ocean while maintaining generally positive Sino-Indian relations.

Chapter Eight: Overcoming Contradictions by Creating More Shared Interests: China's Approach to Stabilize and Improve Sino-EU Relations

The EU is widely deemed one of the primary beneficiaries of both the PIO and the LIO. Economically speaking, the EU stands on the high-end of the GVC. Politically speaking, the EU is one of the most influential entities in the PIO and enjoys privileges in the LIO. Therefore, structurally speaking, China's rise seems to challenge the EU inevitably. So far, thanks to the strong Sino-EU economic ties, Sino-EU relations remain positive overall. The EU is China's largest trade partner while China is the EU's second-largest trade partner and export destination.⁵⁷⁴ Responding to China's BRI, the EU launched a strategy of Connecting Europe and Asia, intending to enhance trans-Eurasian connectivity.⁵⁷⁵ However, the EU and the US share a common goal of maintaining their preferential status in the LIO. More importantly, China's ambition of upgrading its industrial structure poses a fundamental threat to the EU's high-end industries, the bedrocks of its affluence and global standing. As a result, China is identified as "an economic competitor in the pursuit of technological leadership" by the EU, which has been stipulated explicitly in the EU's strategic outlook to China.⁵⁷⁶ Meanwhile, the EU also team up with the US to criticize China on a series of affairs which are defined as China's domestic affairs by the Chinese government.

Therefore, the examination of Sino-EU relations help explain how the BRI serves

⁵⁷⁴ General Administration of Customs of the PRC, The trade report with main partners in 2017, <http://www.customs.gov.cn/customs/302249/302274/302275/1416426/index.html>; European Commission, Top Trading Partners 2017, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_122530.04.2018.pdf.

⁵⁷⁵ European Commission, Connecting Europe and Asia - Building blocks for an EU Strategy, https://cdn3-eas.fpfis.tech.ec.europa.eu/cdn/farfuture/014y_ZmZOKD0lvjc4Zx1hfTSz91fJMhUGyXRUHp25I/mtime:1537348892/sites/eas/files/joint_communication_-_connecting_europe_and_asia_-_building_blocks_for_an_eu_strategy_2018-09-19.pdf.

⁵⁷⁶ European Commission, EU-China – A strategic outlook (March 2019), <https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf>.

China's grand strategic objectives and what role the EU plays in China's grand strategy making. In a broader sense, Sino-EU relations could be regarded as an exemplary case study to analyze how China keeps a balance between the fulfillment of its strategic objectives and the avoidance of being besieged by the West. In this way, this thesis intends to take the development of Sino-EU relations as a barometer to observe China's capability of keeping a balance between cooperation and competition with the West. In terms of IR theory, Sino-EU relations provide IR scholars with a fresh angle to look into how rising powers cooperate with status quo powers, forming a "united front" (统一战线) to undermine the hegemon's influence in the international order.

8.1 The Myth and Truth of the "China Shock" to the EU

Unlike Sino-US relations which risk falling into the Thucydides trap, Sino-EU relations will hardly slide into a full-scale competition and their contests are mainly confined in the industrial and trade realms. Economically speaking, in the course of becoming "the center of production", China will inevitably compete with Europe in the high-end industries.⁵⁷⁷ Geopolitically speaking, with the westward expansion of China's interests within the "China-CEE" ("17+1") and the BRI framework, China has collided with the EU in the Central and Eastern European countries (CEE). As a result, China's attempts of increasing presence and interests in CEE have been labeled as "dividing Europe" by some influential European politicians, represented by German Foreign Minister Sigmar Gabriel.⁵⁷⁸

A series of works have argued that the BRI will negatively impact the interests of Western European countries, the EU's backbone.⁵⁷⁹ In the long term, this thesis argues that the chief and fundamental contradiction between China and the EU, especially

⁵⁷⁷ Le Corre, P. and Sepulchre, A., 2016. *China's Offensive in Europe*. Brookings Institution Press.

⁵⁷⁸ Chicago Tribune, German foreign minister says European unity key to future, <http://www.chicagotribune.com/business/sns-bc-eu--france-germany-20170830-story.html>.

⁵⁷⁹ Herrero, A.G. and Xu, J., 2017. "China's Belt and Road Initiative: Can Europe Expect Trade Gains?", *China & World Economy*, 25(6), pp.84-99; Holslag, J., 2017. "How China's New Silk Road Threatens European Trade", *The International Spectator*, 52(1), pp.46-60.

Western Europe, lies in the primary strategic principle of China: to be “the center of production”. Viewed through a historical lens, it is inevitable for China as “the center of production” to encroach on the EU’s vested interests and global standing. Presently speaking, the positive Sino-EU relations are founded upon a global industrial division to the EU’s advantage, namely, the EU holds the higher end while China remains at the lower end and becomes the primary export destination of the EU’s advanced and lucrative goods and services. Therefore, it is understandable that the EU is wary of China’s “revisionism” featured by the ambitious and comprehensive “Made in China 2025”, which is projected to reshuffle the ongoing Sino-EU industrial division and compromise the EU’s overall advantages.

As the cases in the mid-end and low-end industries have shown repeatedly, once China succeeds in crossing the given technological and technical barriers, the hyper-intense competition among a substantial number of Chinese corporations are supposed to lead to quicker technological and technical iterations and a “race to the lowest price”, which will in turn encroach on their foreign counterparts’ market share and profit considerably. In the long run, since China’s population is even larger than the subtotal of the entire West, 1.41 billion versus 1 billion,⁵⁸⁰ China’s labor and market are large enough to cultivate an all-inclusive and well-divided industrial system. Moreover, China is expected to further exert its growing economic and political clout to gravitate East Asia closer around its orbit, which will further widen the gap between East Asia and the West to 1.61 billion versus 921 million, with a 75% advantage. Therefore, the EU’s interests seem to be at stake when China fully exerts its potential in industry and market size.

Specifically speaking, Germany should be mentioned as the best illustration of this kind of vulnerability and anxiety across Europe. As one of the most competitive export-oriented economies, Germany was the highest trade surplus earner in the world (\$289

⁵⁸⁰ This calculation adopts a broader definition of the Western world, including the US’s 326 million, the EU’s 530 million, Japan’s 127 million, South Korea’s 51 million, Australia and New Zealand’s 29 million and Canada’s 36 million. Worldmeters, Population by region and country, <http://www.worldometers.info/population/world/>.

billion, overtaking China's \$196 billion), the only major EU country with a trade surplus over China (\$25.8 billion) and it had the second-largest trade surplus over the US (\$64.2 billion, only second to China's \$276 billion). Germany's trade surplus accounted for 7.5% of its GDP while China's figure was 3.4%.⁵⁸¹ Germany's export structure consists mainly of motor vehicles & parts (\$244 billion), industrial machinery (\$223 billion), electrical machinery (\$137 billion), pharmaceuticals (\$77 billion) and precision instruments (\$65 billion). All of them heavily rely on the high technological threshold for keeping lucrative and sustainable development.⁵⁸² Therefore, when China is making headway in these realms by both the "whole nation system" (举国体制) and M&A, Germany's market share and bargaining power are projected to be compromised critically, which will undermine the profitability and sustainability of Germany's high-end industries subsequently.

Germany's vulnerability is further exposed when China becomes its largest export market, highlighted by its automobile troika: Volkswagen, Mercedes-Benz and BMW. As the largest automobile market in the world, sales in China had reached 28.88 million in 2017, greatly outnumbering the second one, 17.25 million in the US. German automobile enterprises grabbed the lion's share of the lucrative foreign brand joint ventures in China with 5.4 million vehicles sold. Among them, Volkswagen reached 4.2 million vehicles, accounting for 40% of its global 10.7 million vehicles sales. For the Volkswagen brand, the 3.2 million vehicles sales in China contributed over half of its 6.2 million vehicles global sales. BMW attained 600,000 vehicles, representing 25% of its 2.5 million vehicles global sales while the figure and ratio of Mercedes-Benz were

⁵⁸¹ The first statistics is in 2016, while in 2017, China's trade surplus outnumbered Germany again with \$425 billion versus \$276 billion. The other two are in 2017. With respect to the second statistics, according to Germany's figure, it owns \$16 billion trade deficit to China. Regarding the third, the US side deems its trade deficit to China is \$375 billion. For further information, please read, IMF, 2017 External Sector Report, <http://www.imf.org/en/publications/policy-papers/issues/2017/07/27/2017-external-sector-report>; The US Census Bureau, Trade in Goods with Germany, <https://www.census.gov/foreign-trade/balance/c4280.html#2017>; Trade in Goods with China, <https://www.census.gov/foreign-trade/balance/c5700.html#2017>; DWSTATIS, Ranking of Germany's trading partners in foreign trade in 2017, https://www.destatis.de/EN/FactsFigures/NationalEconomyEnvironment/ForeignTrade/Tables/OrderRankGermanyTradingPartners.pdf?__blob=publicationFile.

⁵⁸² Global EDGE, Germany: Trade Statistics, <https://globaledge.msu.edu/countries/germany/tradestats>.

610,000 vehicles and 25% respectively.⁵⁸³

Therefore, the current Sino-EU relations are defined by a precarious balance, namely, the EU needs the Chinese market to make a profit and maintain its competitive edge while China is increasingly becoming a competitor in these realms. Hence comes to a paradox that the more the EU craves a broader Chinese market, the more precarious Sino-EU interdependence will be. Thus, the EU becomes more vigilant over China's M&A and takes a tougher stance on China's intellectual property protection issue, intending to keep China's industrial upgrade at bay. Globally speaking, the EU goes along with the US and Japan to push back China's "market-distorting" trade practices and industrial policies within the WTO and other multilateral frameworks, especially on the topics of national subsidy, protectionism, state-owned enterprise (SOE), "forced technology transfer" and local content requirements.⁵⁸⁴ Within the EU, the countries spearheaded by Germany pledge to establish analogous institutions like the CFIUS to strengthen investment screening, in pursuit of better protection of the EU's strategic and high-technological sectors from swelling Chinese investments.⁵⁸⁵

Nevertheless, it is misleading for European politicians and scholars to overstate the technological threats brought about by China, which may make the EU lose

⁵⁸³ Xinhua Net, China's automobile sales reached 28.88 million in 2017, and held the largest market position for 9 years in a row, http://www.xinhuanet.com/fortune/2018-01/21/c_129795500.htm; Automobile, US Auto Sales Totaled 17.25-Million in 2017, <http://www.automobilemag.com/news/u-s-auto-sales-totaled-17-25-million-calendar-2017/>; Volkswagen Group China, Volkswagen Group's delivery figure broke 4 million in 2017, http://www.volkswagengroupchina.com.cn/content/vgc/info_center/zh/news/2018/01/news_20180117.html; Sina, BMW Group's sales in China reached 594,000 in 2017, <http://auto.sina.com.cn/news/hy/2018-01-12/detail-ifyqnicm1575426.shtml>; Xinhua Net, Mercedes-Benz's sales in China reached 610,000 and the global figure was 2.4 million, http://www.xinhuanet.com/auto/2018-01/10/c_1122236035.htm.

⁵⁸⁴ European Commission, EU-China – A strategic outlook (March 2019), pp.6-7; Reuters, US, EU, Japan slam market distortion in swipe at China, <https://www.reuters.com/article/us-trade-wto/u-s-eu-japan-slam-market-distortion-in-swipe-at-china-idUSKBN1E62HA>; Bloomberg, Trump Says US Deserves Better China Treatment: Trade Update, <https://www.bloomberg.com/news/articles/2018-04-05/america-seeks-coalition-of-willing-on-china-trade-update>; Handelsblatt Global, EU ambassadors band together against Silk Road, <https://global.handelsblatt.com/politics/eu-ambassadors-beijing-china-silk-road-912258>.

⁵⁸⁵ EU Press Release Database, State of the Union 2017 - Trade Package: European Commission proposes framework for screening of foreign direct investments, http://europa.eu/rapid/press-release_IP-17-3183_en.htm; Reuters, German minister urges fast passage of EU law on Chinese takeovers, <https://www.reuters.com/article/us-germany-china-mergers/german-minister-urges-fast-passage-of-eu-law-on-chinese-takeovers-idUSKBN1FG0XE>; Bloomberg, France Tightens Controls on Chinese Investment to Protect Tech, <https://www.bloomberg.com/news/articles/2018-01-09/france-resists-chinese-investment-to-shield-tech-from-predators>.

opportunities from China's industrial upgrade. Given the EU's industrial advantages accumulated by centuries, especially in a series of critical components, the ten major realms in "Made in China 2025" are far from covering the full scope of the EU's edges. As shown in the industrial division in East Asia, Japan and South Korea still gain decent profit from the industries China has dominated by exporting the critical components. The EU can also benefit from the growing demand for intermediate goods in China's industrial upgrade. In a broader sense, China's purchasing power is supposed to grow with its industrial upgrade, which provides a larger market for the EU's goods and services. Additionally, the EU's surplus capital can find more investment targets with the industrial upgrade in China. In this regard, although current Sino-EU relations are bound to be impacted by China's industrial upgrade, the EU is hopeful of reaching a new economic balance with China with its advantages in technology, service and capital, which can hardly be compromised by China in the foreseeable future.

To a lesser extent, CEE seems to be the second crucial contradiction between China and the EU, where China is making inroads into the EU. China has established the "17+1" mechanism to coordinate the relations with CEE countries and holds an annual summit to consolidate this multilateral network.⁵⁸⁶ Although China is far from exerting meaningful influence through CEE, the EU appears to be nervous about the possibilities that China will encourage CEE's centrifugal trend by economic incentives and impact the EU's policy independence on China-related issues via CEE. In the long run, it may portend that China is able to influence the EU as an external power like the US with well-equipped geopolitical and economic leverage.⁵⁸⁷ Consequently, the EU is concerned its unity and solidarity will be put to the test, and more importantly, the EU leaders' influence inside and outside the EU will also be undermined.

⁵⁸⁶ People.cn, Introductions about 65 BRI countries and regions, <http://ydy1.people.com.cn/n1/2017/0420/c411837-29225243.html>; Cooperation between China and Central and Eastern European countries, Introduction, <http://www.china-ceec.org/eng/>.

⁵⁸⁷ In current academic debate, the EU's disintegration is more due to endogenous causes, China is by no means related to it, please see Volleard, H., 2018. *European disintegration: a search for explanations*. Springer; Gallagher, T., 2014. *Europe's path to crisis: Disintegration via monetary union*. Oxford University Press.

Germany is one of the de facto leaders of the EU and its leadership will be consolidated with Brexit and its strong economy. Given the fact that the PIO is largely built upon the defeat of Germany and Japan in WWII, the EU is the only region where Germany can exert its influence legitimately with EU authority. CEE is the traditional geopolitical sphere of Germany since there is no great power to the east of Oder especially when Russia is further excluded from Europe. In this sense, neither a more fragmented EU nor a more policy-independent CEE is in line with Germany's interests. Therefore, China's budding presence in CEE under the BRI and the "17+1" mechanism has been criticized as "dividing Europe" by the Foreign Minister of Germany.⁵⁸⁸

Economically and politically speaking, Germany is the largest beneficiary of the EU. Economically speaking, where it was the "sick man of Europe" in the 1990s and the early 2000s, Germany has become the "locomotive of Europe" nowadays. In addition to the fundamental economic reform conducted by Chancellor Gerhard Schröder (in office from 1998 to 2005), Germany has benefitted from the EU mechanism and the adoption of the Euro considerably. Thanks to the free flow of goods, services, persons and capital within the EU single market with the Euro single currency, the more robust German economy, especially its well-renowned manufacturing, can overwhelm other weaker competitors, which can no longer seek refuge in currency devaluation and the lower labor, environment and welfare standards. As a result, the intra-EU industrial division between Germany and the others has been fixed, i.e., the higher-end is firmly held by Germany while the others are destined to be on the receiving end. In this way, Germany earns a \$50 billion bonus annually from the EU framework on average since 1992, and intra-EU exports account for 58% of its total exports, compared with 8.8% to the US and 6.4% to China. Meanwhile, the high barrier of the EU single market forestalls the challenges from non-EU high-end manufacturing economies, such as the US and Japan.⁵⁸⁹ Under such a circumstance, the EU turns out to be an exclusive

⁵⁸⁸ Lucrezia Poggetti, One China – One Europe? German Foreign Minister's Remarks Irk Beijing, <https://thediplomat.com/2017/09/one-china-one-europe-german-foreign-ministers-remarks-irk-beijing/>.

⁵⁸⁹ Beck, U., 2013. *German Europe*. John Wiley & Sons; Lever, P., 2017. *Berlin rules; Europe and the German way*. London: IB Tauris; DW, Denmark, Germany profit most from European single market, <http://www.dw.com/en/denmark-germany-profit-most-from-european-single-market/a-17812011>; WTO, Germany

market for Germany.

In the financial sector, given its outstanding performance, Germany becomes the haven to keep off uncertainty. As the embodiment of its competence, Germany is able to issue a negative yield 10-year bond and launch negative interest rates deposit, significantly reducing its financing cost, reinforcing its economic power, as well as building up its financial position within the EU. As a direct result, Germany saved over €100 billion, 3% of its GDP from the European Debt Crisis from 2010 to 2015.⁵⁹⁰ Taking a longer view, since the Euro was introduced in 1999, Germany has earned €1.9 trillion extra from this single policy till 2017, followed by the Netherlands' €346 billion. By contrast to these two beneficiaries, all the other nations suffered and Italy and France turned out to be the largest victims: having lost €4.3 and €3.6 trillion respectively.⁵⁹¹

Nevertheless, Germany largely “free rides” the EU mechanism to enjoy the bonus of a single market while shirking the fiscal responsibility. The fiscal burden is the best barometer. Although Germany enjoys the benefits of the EU single market, thanks to the loose EU institution, it does not owe binding responsibilities to the EU developing regions like sovereignty. For instance, the total German contribution to the EU budget was €23.27 billion, accounting for 0.73% of its GNI in 2016. Meanwhile, Germany reaped €10.08 billion from EU spending, which means the net contribution of Germany to the EU only took 0.41% of its GNI. Therefore, to some extent, the European single market with a single currency which Germany failed to get through two world wars is now open to Germany for free.

trade profile, <http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=F&Country=DE>.

⁵⁹⁰ CNBC, Germany becomes second G-7 nation to issue 10-year bond with negative yield, <https://www.cnbc.com/2016/07/13/germany-becomes-second-g7-nation-to-issue-10-year-bond-with-a-negative-yield.html>; DW, The German savers who must pay interest to their own bank, <http://www.dw.com/en/the-german-savers-who-must-pay-interest-to-their-own-bank/a-38013400>; Halle Institute for Economic Research, Germany Benefited Substantially from the Greek Crisis, <http://www.iwh-halle.de/nc/en/press/press-releases/detail/germany-benefited-substantially-from-the-greek-crisis-1/>.

⁵⁹¹ Centre for European Policy, “20 Years of the Euro: Winners and Losers - An empirical study”, https://www.cep.eu/fileadmin/user_upload/cep.eu/Studien/20_Jahre_Euro_-_Gewinner_und_Verlierer/cepStudy_20_years_Euro_-_Winners_and_Losers.pdf.

Based on this economic base, Germany is able to embed its political objectives in the EU's. The more successful the EU becomes, the more Germany can gain inside and outside the EU. Lord Ismay, the first Secretary General of NATO had defined the underlying purpose of NATO as to "keep the Russians out, the Americans in, and the Germans down" while George Kennan had asserted that European integration was "the only conceivable solution for the problem of Germany's relations to the rest of Europe."⁵⁹² However, given Germany's population and economy, the "German question" is persistent and Europe's structure has to be constructed around Germany. Therefore, although the EU framework was designed to shackle Germany's unmatched potential at first, it seems to be a historical necessity that "European Germany" is destined to be "German Europe" in the end. The failed solutions to solve the "German question" led to two world wars while the successful solution to "keep the Germans down" relied on the US security commitment, or surveillance, and the Soviet Union's threat. Structurally speaking, a declining Russia and an isolationist US make it possible for Germany to restore policy independence in Europe and the world. Germany's soul searching regarding the Holocaust and other atrocities during WWII has somewhat absolved itself of its "sin" in the PIO, upon which Germany attempts to play a more significant role in this order. The most ambitious aspiration is that Germany exhorts France to convert its UNSC permanent seat to an EU one, made by German Vice Chancellor Olaf Scholz.⁵⁹³ In effect, as Jose Barroso said, "France needs Germany to disguise how weak it is, and Germany needs France to disguise how strong it is",⁵⁹⁴ Germany needs France to grant authority in the PIO while France needs Germany to substantiate this authority. In this way, Germany can integrate its ever-growing power and ambitions into the EU commonality and pursue broader interests through EU collective actions.⁵⁹⁵ Under the EU framework, Germany can leverage on the EU's 530 million people and \$17 trillion GDP via an entity of 82 million population and \$3.68

⁵⁹² Rober Kagan, *The New German Question: What Happens When Europe Comes Apart*, <https://www.foreignaffairs.com/articles/germany/2019-04-02/new-german-question>.

⁵⁹³ DW, France rejects German wish for EU seat at UN Security Council, <https://www.dw.com/en/france-rejects-german-wish-for-eu-seat-at-un-security-council/a-46513931>.

⁵⁹⁴ Rachman, G., 2016. *Easternisation: War and peace in the Asian century*. Random House, pp.173.

⁵⁹⁵ Gideon Rachman, Welcome to Berlin, Europe's new capital, <https://www.ft.com/content/01db45ba-1c32-11e2-a63b-00144feabdc0>.

trillion GDP, enabling Germany to stand on an equal footing with greater powers like the US and China.

However, Germany's mightiness has discontented other weaker EU members. Since the austerity policies after the European Debt Crisis, Germany's relations with Southern Europe considerably deteriorated while its refugee policies also irritated CEE such as the Visegrád Group.⁵⁹⁶ As a result, Italian Eurosceptic and populist leader Matteo Salvini pledged to "counter the Franco-German axis with the Italo-Polish axis",⁵⁹⁷ the "victims" of the EU intend to join hands to balance Germany's clout. In a classical geopolitical way, they are inclined to introduce external powers to balance Germany, which is in concert with US interests to ensure Germany remains under control. Take Poland for instance. Poland extends a warm welcome to a larger US military presence and rejects the Nord Stream 2 gas pipeline, which undermines Germany's military and energy independence.⁵⁹⁸ For the purpose of consolidating Polish-US relations, taking the Huawei incident as a barometer, Poland stands out to call for a "joint EU-NATO stance on Huawei" to exclude Huawei from Europe, in contrast with Angela Merkel's resistance to US pressure.⁵⁹⁹ Therefore, compared with the deep-rooted Euroscepticism inside and the geopolitical offshore balancer outside Europe, China is made the scapegoat of the EU fragmentation.⁶⁰⁰

China has no intention to "divide Europe", instead, a unified and policy-independent

⁵⁹⁶ DW, Germany, Greece put tension in rearview mirror during Angela Merkel's visit, <https://www.dw.com/en/germany-greece-put-tension-in-rearview-mirror-during-angela-merkels-visit/a-47033131>; Tensions ease between Merkel, Visegrád leaders, <https://www.dw.com/en/tensions-ease-between-merkel-visegrad-leaders/a-47406936>.

⁵⁹⁷ Politico, Matteo Salvini pledges 'Italo-Polish axis' after Warsaw talks, <https://www.politico.eu/article/matteo-salvini-jaroslav-kaczynski-italy-poland-eu-pledges-italo-polish-axis-after-warsaw-talks/>.

⁵⁹⁸ Financial Times, US to deploy more troops in Poland, ambassador says, <https://www.ft.com/content/a1f55ad4-2eb1-11e9-ba00-0251022932c8>; DW, Polish President Andrzej Duda calls for stop to Nord Stream 2 gas pipeline, <https://www.dw.com/en/polish-president-andrzej-duda-calls-for-stop-to-nord-stream-2-gas-pipeline/a-46001118>.

⁵⁹⁹ The Guardian, Poland calls for 'joint' EU-NATO stance on Huawei after spying arrest, <https://www.theguardian.com/world/2019/jan/12/huawei-sacks-chinese-worker-accused-of-spying-in-poland-wang-weijing>; SCMP, Angela Merkel resists US pressure to ban Huawei as Germany launches 5G auction, <https://www.scmp.com/news/world/europe/article/3002420/angela-merkel-resists-us-pressure-ban-huawei-germany-launches-5g>.

⁶⁰⁰ De Vries, C.E., 2018. *Euroscepticism and the future of European integration*. Oxford University Press; Brack, N. and Startin, N., 2015. "Introduction: Euroscepticism, from the margins to the mainstream", *International political science review*, 36(3), pp.239-249; Meijers, M.J., 2017. "Contagious Euroscepticism: The impact of Eurosceptic support on mainstream party positions on European integration", *Party Politics*, 23(4), pp.413-423.

Europe is more in China's interests. Viewed from the perspective of geopolitics, value and economy, it is far beyond China's capability to "divide Europe". Moreover, provided the heterogeneity of the CEE countries, it is misleading to oversimplify CEE as a unified entity with consistent values and interests.

Geopolitically speaking, China cannot match the US. Considering CEE is compressed inside the EU by Germany and threatened outside NATO by Russia, CEE has an entrenched sense of crisis which can hardly be eased by China. To China, compared with Sino-CEE relations, Sino-German and Sino-Russian relations are more valuable. Furthermore, given the US strategic objectives of deterring Russia and of preventing Germany from being fully policy-independent, CEE would generally rely themselves more on the US than on China. Therefore, CEE would regard the US as an irreplaceable offshore balancer while taking China as a dispensable economic partner, making it impossible for China to "divide Europe" via CEE. In other words, despite the fact that China's geopolitical influence is expanding and China is increasingly playing a critical role for CEE and the EU, China is far from exerting considerable impacts on them like the US.

Ideologically speaking, it is true that some CEE countries, especially Hungary and Greece which are the primary beneficiaries of China's investment, have supported China on issues like human rights,⁶⁰¹ but it is questionable whether they did that for China. Take Hungary for instance, Prime Minister Viktor Orban has been labeled "Symbol of Fascism" and Hungarian democracy has been dismissed by the mainstream media.⁶⁰² In contrast with the assertion that China's growing soft power has reshaped the agenda and norms in CEE,⁶⁰³ it should be noted that some leading CEE countries

⁶⁰¹ Pepermans, A., 2018. "China's 16+ 1 and Belt and Road Initiative in Central and Eastern Europe: economic and political influence at a cheap price", *Journal of Contemporary Central and Eastern Europe*, 26(2-3), pp.181-203; Thorsten Benner and Jan Weidenfeld, Europe, Don't Let China Divide and Conquer, <https://www.politico.eu/article/europe-china-divide-and-conquer>.

⁶⁰² The New York Times, He Used to Call Viktor Orban an Ally. Now He Calls Him a Symbol of Fascism, <https://www.nytimes.com/2019/03/15/world/europe/viktor-orban-hungary-ivanyi.html>; On the Surface, Hungary Is a Democracy. But What Lies Underneath?, <https://www.nytimes.com/2018/12/25/world/europe/hungary-democracy-orban.html>.

⁶⁰³ Vangeli, A., 2018. "Global China and symbolic power: The case of 16+ 1 cooperation", *Journal of*

have their own values and interests different from EU ones, which drive them to contravene the EU's will. Moreover, equal attention should be paid to CEE's oscillation between positive and negative evaluation towards China, as well as the entrenched discrepancies in values between China and Europe.⁶⁰⁴ Therefore, it is debatable that China is capable of influencing CEE in the realms of values and norms.

Economically speaking, China has no match with the EU. In terms of trade, take the Czech Republic and Poland, China's top two trade partners in CEE for instance. They took two-thirds of the total Sino-CEE trade and the volume attained \$22.8 and \$21.3 billion respectively in 2017, but the trade is in surplus to China and their trade deficit were as high as \$9.5 billion and \$16.1 billion, i.e., the highest of all their trade deficits, while 88.6% and 88.4% of their exports were within the EU.⁶⁰⁵ In terms of investment, under five European Structural and Investment Funds (ESI Funds) frameworks (2014-2020), the Czech Republic will receive €22 billion while Poland will get €77 billion. The total fund scale reaches €351.8 billion and 80% will be distributed to less developed and transition regions, which completely covers CEE. In comparison, China's investment stock in CEE only reaches \$9 billion and the scale of China-CEE Fund is only \$1 billion.⁶⁰⁶

More importantly, compared with CEE, an EU with more independent foreign policies can better serve China's interests in the global arena. In a conservative manner, China needs to prevent itself from being besieged by the West as a unified entity, or more

Contemporary China, 27(113), pp.674-687; Jakóbowski, J., 2018. "Chinese-led Regional Multilateralism in Central and Eastern Europe, Africa and Latin America: 16+ 1, FOCAC, and CCF", *Journal of Contemporary China*, 27(113), pp.659-673.

⁶⁰⁴ Pavličević, D., 2018. "'China Threat' and 'China Opportunity': Politics of Dreams and Fears in China-Central and Eastern European Relations", *Journal of Contemporary China*, 27(113), pp.688-702; Maher, R., 2016. "The elusive EU-China strategic partnership", *International Affairs*, 92(4), pp.959-976.

⁶⁰⁵ World's Top Export, Czech Republic's Top Trading Partners, <http://www.worldstopexports.com/czech-republics-top-import-partners/>; Poland's Top Trading Partners, <http://www.worldstopexports.com/polands-top-import-partners/>.

⁶⁰⁶ European Commission, European Structural and Investment Funds 2014-2020: official texts and commentaries, http://ec.europa.eu/regional_policy/sources/docgener/guides/blue_book/blueguide_en.pdf; KPMG, EU Funds in Central and Eastern Europe, <https://assets.kpmg.com/content/dam/kpmg/bg/pdf/KPMG-EU-Funds-2014-2016.pdf>; China-CEE Fund, Introduction, <http://china-ceefund.com/index.html>; Xinhua Net, Address At the Seventh China-CEEC Business Forum of China's Prime Minister Li Keqiang, http://www.xinhuanet.com/2017-11/28/c_1122019825.htm.

bluntly, China intends to de-Americanize. Therefore, China prefers a unified and policy-independent EU, which can pursue its interests despite the US pressure. Such an EU can only be led by Germany or the Franco-German axis, while a fragmented EU, due to the dwarfed size of Germany and France individually, will fall prey to the larger powers by divide and rule. In this way, a fragmented EU may have to toe the line of the US to the detriment of its own interests and policy independence, especially when a populist and isolationist like President Donald Trump assumes office. In Chairman Mao Zedong's "Three Worlds Theory" (三个世界理论), namely, the "first world" of superpowers, the "second world" of developed countries and the "third world" of exploited nations,⁶⁰⁷ the EU is defined as the main body of the "second world". In the same sense, the EU can be associated with China's "united front" in building a multipolar world, or in more explicit words, in undermining US unipolar hegemony. Although China and the EU can hardly be de facto allies in the foreseeable future, they are hopeful of reaching consensus and joining hands on some given issues, which give rise to the "united front" objectively.

Therefore, China expects to see a unifying and centralizing EU, which seeks more independent policies and pursues contrasting interests with the US. As French President Emmanuel Macron said, "We have to protect ourselves with respect to China, Russia and even the United States of America",⁶⁰⁸ together with other symbolic stances ranging from the Aachen Treaty to the EU aircraft carrier,⁶⁰⁹ it is worthwhile to point out that the EU is trying to pursue more independent policies endorsed by the growing military and economic independence and stronger centralization, which seems to presage the reconstruction of Europe's policy independence.⁶¹⁰ China finds common ground with the EU in this, exemplified by Xi Jinping's state visit to France in March

⁶⁰⁷ An, J., 2013. "Mao Zedong's "Three Worlds" Theory: Political Considerations and Value for the Times", *Social Sciences in China*, 34(1), pp.35-57.

⁶⁰⁸ BBC, France's Macron pushes for 'true European army', <https://www.bbc.co.uk/news/world-europe-46108633>.

⁶⁰⁹ DW, What's in the Franco-German Treaty of Aachen?, <https://www.dw.com/en/whats-in-the-franco-german-treaty-of-aachen/a-47178247>; Michael Peck, Here's A Crazy Idea: A European Union Aircraft Carrier, <https://nationalinterest.org/blog/buzz/heres-crazy-idea-european-union-aircraft-carrier-47702>.

⁶¹⁰ The Guardian, EU must learn from Brexit and reform, says Emmanuel Macron, <https://www.theguardian.com/world/2019/mar/04/eu-must-learn-from-brexit-and-reform-says-emmanuel-macron>.

2019. Unprecedentedly and symbolically, Emmanuel Macron invited Angela Merkel and President of the European Commission Jean-Claude Juncker to join the talks, where “multilateralism” and “a multipolar world” become the consensus, which consolidated the political pillar of Sino-EU relations.⁶¹¹ In this sense, considering the growing influence of China and the potential to cooperate with China on some given issues, the EU should seriously reevaluate China in the EU’s strategy and redefine Sino-EU relations.

In conclusion, China’s upgrading industrial structure and extending geopolitical clout are the two contradictions that compromise the EU’s advantages and seem to reshape Sino-EU relations. However, it is misleading to exaggerate these contradictions. As China is determined to build up “the center of production”, China’s import substitution and industrial upgrade seem to encroach on the EU’s interests in the high-end industries and compromise the EU’s overall advantages in the long term. Nevertheless, since they can build a new economic balance with the changed positions in the GVC, it is more practical to meet the alterations with better preparation. Furthermore, contrary to the conventional wisdom that China seeks to take CEE as an instrument to interfere with EU policies, China has neither the intention nor the capability to seriously impact the behaviors of CEE and the EU’s dilemmas should be attributed to internal factors. The development of Sino-CEE relations is not at the expense of Sino-EU relations and Sino-Western European relations. In contrast, China would support a more centralized EU to pursue independent interests in the world. Although China may be targeted by the EU on some given issues, still, a more policy-independent EU and discordant trans-Atlantic relations will better serve China’s interests. Additionally, despite being largely oversimplified and exaggerated, the two biggest contradictions between China and the EU do indicate the changing dynamics in Sino-EU relations, which propel both sides to build up their relations on a new foundation.

⁶¹¹ The Guardian, Macron meets Xi Jinping to strengthen EU-China relationship, <https://www.theguardian.com/world/2019/mar/26/emmanuel-macron-meets-chinese-leader-in-attempt-to-strengthen-ties>.

8.2 Entangling China with the EU by Creating More Shared Interests

The industrial upgrade and geopolitical expansion of China have reshaped Sino-EU relations. For better stabilizing Sino-EU relations when China's expanding interests encroach on the EU's vested interests, China attempts to create more shared interests with the EU to hedge its antagonism. Instead of regarding Sino-EU relations as a whole, China tends to break the overall relations down issue by issue, through which to neutralize the EU's hostility in general and transform the complex diplomatic and value problems into administrative and economic disputes. Therefore, considering the profound common interests between both sides in a series of issues, China and the EU are hopeful of further tapping into the potential to achieve more consensus and shared interests on a wide range of issues to offset the contradictions.

The principal interest of both the EU and China is to champion the liberal global trade mechanism. Heavily depending on export, the EU regards an open and robust global trade mechanism as the crux of its diplomacy. Specifically speaking, Germany's trade ratio to GDP is as high as 84%, France is 60%, the UK is 59%, and the EU as a whole is 83%. In sharp contrast, that of the US is 27%, China is 37%, and Japan is 31%. For this reason, it is reasonable that the EU turns out to be the largest defender of the existing global trade framework and has not stood against China with the US in the trade war, in contrast with its posture in technological terms.⁶¹² In this way, upholding the ongoing global trade mechanism becomes a shared interest for China and the EU, where both sides find common grounds to counter protectionism and promote openness.

As illustrated in Chapter Two, China is conducting a number of measures to further open its domestic market, keeping its pledges to champion the liberal economic order.

⁶¹² The World Bank, Trade (% of GDP), <https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS>; Reuters, Europe not choosing sides in US-China trade dispute, <https://uk.reuters.com/article/uk-imf-g20-europe-trade/europe-not-choosing-sides-in-us-china-trade-dispute-idUKKBN1HS0LB>.

In a broader meaning, this is also true to the BRI's claims, namely, to create a more united, connected and opening-up global market. Thanks to the opening-up policies, China is supposed to attract more foreign investments, import a growing number of foreign goods and services, and more remarkably, exchanges for the more open markets of other countries, which will surely help China become "the center of production and trade". The EU enterprises are looking forward to grabbing the lion's share in a more opening-up Chinese market for both investment and export. It should be pointed out that once China lifted the investment restrictions against foreign enterprises on some given "sensitive" realms, Germany's BASF and BMW became the most active enterprises to increase investment, intending to lock a preferential position in a more open China.⁶¹³ According to the president of the EU Chamber of Commerce in China, the new foreign investment law is "surprisingly accommodating to all concerns we have", indicating the breakthrough China made in opening-up.⁶¹⁴ In this sense, it is conceivable that the EU enterprises are likely to grab a considerable share in the ever-growing and ever-opening Chinese market.

Meanwhile, China has taken a straightforward approach to increase imports from the EU, where the CR express is well-positioned to bring its role into full play. The imbalanced outbound and inbound CR express is the epitome of the imbalanced Sino-EU trade. Given the fact that the trade deficit has been the flashpoint between China and the US, balancing trade turns out to be not only a way to consolidate Sino-EU relations but also a method to defuse the potential bilateral frictions. In 2017, the trade volume between China and the EU reached \$616.9 billion, from which China gained a \$127.2 billion trade surplus. China has intentionally reduced the trade surplus through increasing imports, as shown by the EU's exports to China growing by \$58.7 billion,

⁶¹³ Financial Times, BMW to raise stake in China joint venture to 75% in €3.6bn deal, <https://www.ft.com/content/9a3ee15a-cced-11e8-b276-b9069bde0956>; BASF, BASF and Guangdong Provincial Government sign Framework Agreement to establish Verbund site in Zhanjiang, China, <https://www.basf.com/hk/en/media/news-releases/global/2019/01/p-19-107.html>.

⁶¹⁴ CNBC, EU Chamber says China's new foreign investment law is 'surprisingly accommodating', <https://www.cnbc.com/2019/10/21/eu-chamber-chinas-foreign-investment-law-is-surprisingly-accommodating.html>.

31.5% while the trade deficit fell \$66.2 billion, 34% from 2016.⁶¹⁵ In this process, the nascent CR express has taken 4% of the total trade volume.

Catering to the growing demands of China's burgeoning middle class, high-quality EU products are an ideal instrument to achieve a trade balance. Even though China aims to be "the center of production", it is neither practical nor necessary for China to implement import substitution against the renowned European brands. For instance, in terms of luxury goods, Chinese consumers spent \$121 billion in 2017, accounting for 32% of the world's total and are expected to reach 40% in 2024.⁶¹⁶ The EU's agricultural products are another remarkable case. The EU is famous for high-quality agricultural products and European countries take eight of the top ten places in food quality and safety.⁶¹⁷ At the same time, unlike the EU and Japan which have influential agricultural interest groups to erect high trade barriers, China does not intend and cannot fully protect its agriculture sector. In this way, considering the huge yet refined domestic demand of China, China and the EU seem to prioritize agriculture as one of the key sectors of cooperation. In 2017, China's agricultural products imports stood at \$124.7 billion, of which the EU supplied \$12.8 billion, accounting for 10.3% of China's total imports and 8.6% of the EU's total exports.⁶¹⁸ The Netherlands, the second-largest agricultural exporter (only second to the US), is the best illustration of this disproportion. The Netherlands is China's third-largest trade partner in the EU (only second to Germany and the UK) but had the highest trade deficit (\$56 billion) to China. However, in its \$103.6 billion agricultural exports, China only took 8th place with \$2.7 billion, accounting for as little as 2.6%.⁶¹⁹ Therefore, as the Netherlands case has

⁶¹⁵ General Administration of Customs of the PRC, The trade report with main partners in 2017, <http://www.customs.gov.cn/customs/302249/302274/302275/1416426/index.html>; Ministry of Commerce of the PRC, The EU's trade report 2016. https://countryreport.mofcom.gov.cn/record/view110209.asp?news_id=53882.

⁶¹⁶ The Boston Consulting Group, "China Luxury Digital Playbook", http://trinityforum.events/wp-content/uploads/2018/11/Angela_Wang_BCG_TrinityForum2018.pdf.

⁶¹⁷ Global Food Security Index, Country Ranking 2017, <https://foodsecurityindex.eiu.com/Index>.

⁶¹⁸ General Administration of Customs of the PRC, The important import commodities in 2017 by sector, <http://www.customs.gov.cn/customs/302249/302274/302275/1416420/index.html>; European Commission, Monitoring EU Agri-Food Trade: Development in 2017, https://ec.europa.eu/agriculture/sites/agriculture/files/trade-analysis/monitoring-agri-food-trade/2017-december_en.pdf.

⁶¹⁹ CBS, Dutch agricultural exports at record high, <https://www.cbs.nl/en-gb/news/2018/03/dutch-agricultural-exports-at-record-high>; Governments of Netherlands, Agricultural exports worth nearly €92 billion in 2017, <https://www.government.nl/ministries/ministry-of-agriculture-nature-and-food->

shown, there is enormous potential in the agricultural sector for China and Europe to tap into, which may become another pillar of Sino-EU economic ties. In fact, both sides have taken notice of this problem. Thus, as an indicator, in the 2019 EU-China Summit Joint Statement, in the EU's interests, "deepening cooperation in the wine and spirits sector" was stipulated in particular, showing the shared expectation on the high-end agricultural cooperation.⁶²⁰ For the CR express, the growing agricultural imports are likely to become a stable inbound source, while the increasing popular cold chain technology may facilitate the climb of import value by freighting more higher-end and time-sensitive products.⁶²¹

In addition to the trade in goods, trade in services seems to be another burgeoning realm. As the largest exporter of commercial services, the EU accounts for 24.9% of the world with \$917 billion, and the UK, Germany and France are ranked from the second to fourth respectively. Meanwhile, China is the second-largest importer, accounting for 9.6% with \$450 billion. However, these exports to China only make up 4.5% of the total service exports of the EU, whereas they account for 25.8% and 13.6% of those to the US and Switzerland respectively.⁶²² Therefore, bearing this wide gap in mind, this is a promising realm where China can increase imports to balance Sino-EU trade and create more shared interests with the EU.

Equal attention should be paid to tourism. Tourism is the largest trade deficit item of China, accounting for 84.6% of the \$261.2 billion services trade deficit in 2017.⁶²³ Globally speaking, Europe is so prestigious for tourism that in terms of international

quality/news/2018/01/19/agricultural-exports-worth-nearly-%E2%82%AC92-billion-in-2017.

⁶²⁰ European Council, EU-China Summit Joint Statement, <https://www.consilium.europa.eu/media/39020/euchina-joint-statement-9april2019.pdf>.

⁶²¹ Sohu, Considerations on the CR express cold chain transport, http://www.sohu.com/a/154947600_699049; China Cold Chain, Cold chain transport contributes to the development of CR express, <http://www.quanlenglian.cn/hy/yunshu/1786.html>.

⁶²² WTO, World Trade Statistical Review 2017, Chapter IX, Statistical Tables, pp.104-105, https://www.wto.org/english/res_e/statistics_e/wts2017_e/WTO_Chapter_09_tables_e.pdf; European Statistics, International trade in services, https://ec.europa.eu/eurostat/statistics-explained/index.php/International_trade_in_services#Main_trading_partners.

⁶²³ People.cn, the US overstates Sino-US trade deficit, <http://opinion.people.com.cn/n1/2018/0407/c1003-29909905.html>.

tourist arrivals, France, Spain, Italy, the UK and Germany were ranked among the top 7 (the other two are the US and China).⁶²⁴ Regarding competitiveness, Spain, France, Germany and the UK monopolize the top 5.⁶²⁵ With regard to the Chinese side, China's outbound tourist numbers attained 130 million in 2017, providing the EU with a vast market to cash in on. On the EU side, the EU has initiated the Mobility and Migration Dialogue with China to promote visa facilitation to attract more Chinese tourists.⁶²⁶

Moreover, the broadened market created by the BRI provides Sino-EU cooperation with extra space and the EU is well prepared to grab the lucrative part. Compared with China's dominance in "hardware", such as infrastructure and industrial park, the EU is advantageous in "software", like finance, law and management experience. The UK, Germany and France are ranked from the second to the fourth exporters respectively in the global commercial services, accounting for 6.7%, 5.6% and 4.9% of the world total, only second to the US (15.2%) and higher than China (4.3%).⁶²⁷ The fact that most BRI countries used to be their colonies seems to considerably facilitate business, thanks to their entrenched influence in BRI countries and BRI countries' path dependence. The EU's participation is also conducive to supervising the BRI's transparency and sustainability and implanting higher European standards to it. In this way, China seems to distribute more interests to the EU with the intention of gaining reciprocal EU endorsement for BRI projects. In other words, China deems the EU's support crucial for introducing the BRI to the Global North. The fact that the US criticized the EU "lends legitimacy to China's predatory approach to investment" demonstrates this from the reverse side.⁶²⁸ Attracted by the above-mentioned interests, Italy has taken the lead

⁶²⁴ The World Bank, International tourism, number of arrivals, <https://data.worldbank.org/indicator/ST.INT.ARVL>.

⁶²⁵ World Economic Forum, Travel & Tourism Competitiveness Index, http://reports.weforum.org/travel-and-tourism-competitiveness-report-2017/ranking/?doing_wp_cron=1536099675.5285730361938476562500.

⁶²⁶ Xinhua Net, The outbound tourist number was more than 130 million in 2017, http://www.xinhuanet.com/2018-02/06/c_1122376724.htm; European Commission, EU-China Summit: deepening the strategic global partnership, http://europa.eu/rapid/press-release_IP-18-4521_en.htm.

⁶²⁷ WTO, World Trade Statistical Review 2017, Chapter IX, Statistical Tables, pp.104, https://www.wto.org/english/res_e/statistics/wts2017_e/WTO_Chapter_09_tables_e.pdf; Asian Infrastructure Investment Bank, Members and Prospective Members of the Bank, Non-Regional Members, <https://www.aiib.org/en/about-aiib/governance/members-of-bank/index.html>.

⁶²⁸ The Economist, Italy's plan to join China's Belt and Road Initiative ruffles feathers, <https://www.economist.com/europe/2019/03/21/italys-plan-to-join-chinas-belt-and-road-initiative-ruffles-feathers>.

to be the first G7 and EU country to officially join the BRI, while the UK had ushered in a European rush to the AIIB in 2015.⁶²⁹

China has defined such a hardware plus software cooperation pattern as “third-party market cooperation” (第三方市场合作), i.e., integrating China’s production, developed countries’ management, finance and law, and developing countries’ demand into a whole.⁶³⁰ With third-party cooperation, the BRI can be upgraded from a China-led project to the joint efforts of the world, transforming it into a platform for promoting global economic growth. Additionally, to the countries which have not officially participated in the BRI, third-party cooperation can be taken as an alternative channel for them to engage in the BRI, which practically expands the inclusiveness of the BRI framework. Take Japan for example. In the first China-Japan Third-Party Market Cooperation Forum in Beijing in 2018, there were over 50 deals valued at \$18bn reached.⁶³¹ Therefore, this concept appeared in the 2019 Chinese government work report for the first time, indicating a positive fact that its significance has been fully recognized by the leaders and will be emphasized in the future BRI implementation.⁶³²

In parallel with the above-mentioned measures which intend to create more shared interests with the EU, China can acquire more leverage from the tightening economic interdependence in exchange. Here the “Hirschman effect”, i.e., the trade structure which can form interest groups in trade partners to act collectively can be the “ballast” in the mutual relations,⁶³³ is worth being mentioned. By this logic, some relative

⁶²⁹ Daniel Runde, Britain Launches European Rush to Join AIIB. Now What, <https://foreignpolicy.com/2015/03/17/uk-washington-china-world-bank/>.

⁶³⁰ People’s Daily, “third party market cooperation, 1+1+1>3”, http://paper.people.com.cn/rmrb/html/2018-01/04/nw.D110000renmrb_20180104_1-23.htm.

⁶³¹ The State Council of the PRC, China, Japan eye third-party market cooperation, http://english.gov.cn/premier/news/2018/10/26/content_281476363093162.htm.

⁶³² The State Council of the PRC, Full text: Report on the Work of the Government, http://english.gov.cn/premier/speeches/2019/03/16/content_281476565265580.htm.

⁶³³ Hirschman, A.O., 1980. *National power and the structure of foreign trade* (Vol. 105). Univ of California Press; Kirshner, J., 2008. “The Consequences of China’s Economic Rise for Sino-US Relations: Rivalry, Political Conflict, and (Not) War” in Ross, R.S. and Feng, Z. eds., 2008. *China’s ascent: power, security, and the future of international politics*. Cornell University Press, pp.238-259; Xiong Wei, “The ballast lost weight: The analysis of the “Hirschman effect” in economic cooperation-Taking Russo-German and Sino-German relation as instances”, *Foreign Affair Reviews*, No.5, 2019. (熊炜:《失重的“压舱石”?经贸合作的“赫希曼效应”分析——以德俄关系与中德关系为比较案例》,《外交评论》)

interest groups are likely to take form in the EU because of China's increasing imports of goods, services and third-party cooperation, which are expected to strengthen Sino-EU relations. Additionally, as the shared interests are based on the foundation of Sino-EU cooperation and interdependence, China can also hold them as bargaining chips to exchange for a softer stance of the EU on some given issues, especially the crucial industrial upgrade.

Take the US soybean industry for example. China is the largest soybean buyer in the global market with a 64% share, and the US meets 35% of China's import demand, which accounts for 62% of its total soybean exports, 11% of its total exports by value and 58% of its agricultural exports by value to China. Politically speaking, eight of the top ten production states supported President Donald Trump in the 2016 presidential election. In this sense, soybean imports become a trump card for China in the Sino-US trade war.⁶³⁴ By a similar logic, given the influence of the EU agricultural lobbyists and the substitutability of the EU's agricultural products, increasing agricultural ties are likely to enable China to gain a better negotiating stance with the EU. This leverage can directly impact western European countries, such as France and the Netherlands, stimulating a more rapid response from the EU. Aviation is another example of China's countermeasures. Taking advantage of China's massive market, which is estimated to require 7200 new airplanes worth \$1.1 trillion in the next 20 years, it is a routine tactic for China to balance its airplane orders between Boeing and Airbus for better political deals.⁶³⁵ Due to the Sino-US trade war, Boeing's narrow-body aircraft was singled out as the victim of China's retaliation.⁶³⁶ In contrast, China presents a record-high € 30 billion, 300 jets contract to Airbus, in order to improve Sino-EU relations.,⁶³⁷ Besides,

⁶³⁴ Wall Street.cn, Trade war on the US soybean, <https://wallstreetcn.com/articles/3261595>.

⁶³⁵ Boeing, Boeing Raises Forecast for New Airplane Demand in China, <http://boeing.mediaroom.com/2017-09-06-Boeing-Raises-Forecast-for-New-Airplane-Demand-in-China>; Bloomberg, Airbus, Boeing See Politics Makes Business Sense in China, <https://www.bloomberg.com/news/articles/2016-02-29/airbus-boeing-jostle-for-china-friendship-and-aircraft-orders>.

⁶³⁶ Forbes, China's Threat of a 25% Tariff On Boeing Planes Isn't As Big A Deal As Investors Feared, <https://www.forbes.com/sites/danielreed/2018/04/04/chinas-threat-of-a-25-tariff-on-boeing-planes-is-not-as-big-a-deal-as-investors-initially-feared/#1e713d0d6cfb>.

⁶³⁷ Reuters, Airbus wins China order for 300 jets as Xi visits France, <https://uk.reuters.com/article/us-france-china-airbus/airbus-wins-china-order-for-300-jets-as-xi-visits-france-idUKKCN1R61Y0>.

this leverage paves the way for the development of China's aviation, represented by the Commercial Aviation Corporation of China. Meanwhile, as shown in the cases of South Korea and Japan, China aims to take advantage of its massive volume of tourists and their impressive purchasing power for political leverage.⁶³⁸ Likewise, the strengthening Sino-EU tourism ties are expected to pile up bargaining chips for China to stabilize Sino-EU relations.

In conclusion, China attempts to create more shared interests with the EU to the EU's advantage, in order to hedge the EU's antagonism when China upgrades industrial structure and expands geopolitical clout. In addition to co-supporting the liberal trade mechanism, China increases imports from the EU in both goods and services, such as agriculture, tourism and third-party cooperation. With the boosted Sino-EU economic interdependence, China can gain leverage to mitigate the contradictions with the EU.

8.3 The Gateway to the EU: CEE within the BRI Framework

In the first place, it is necessary to stress that China has the rights to develop relations with CEE. Sino-EU relations should not be equated with Sino-German or Sino-French relations. Since the EU is not a sovereign entity and China's diplomatic relations with the Western European countries run parallel with Sino-EU relations, it is legitimate for China and the CEE countries to develop bilateral and multilateral relations within the EU and "17+1" framework. In effect, by resorting to collective action, the CEE countries can practically elevate their negotiation standings. As illustrated before, it is evident that China has neither the intention nor the capability to take CEE as a tool to "divide Europe". Instead, the "17+1" cooperation aims at enhancing the connectivity between China and Europe and developing CEE as a gateway to the EU for China, thus Sino-CEE relations should be perceived through the BRI lens.

⁶³⁸ Paik, W., 2019. "The politics of Chinese tourism in South Korea: political economy, state-society relations, and international security", *The Pacific Review*, pp.1-25.

Historically speaking, the BRI derives from the Silk Road which ended in Europe, incarnating Eurasian connectivity and making Europe an irreplaceable partner in championing such an initiative symbolically. Despite being ambivalent about the BRI as a whole, the EU extends a welcome to China's connectivity-based infrastructure investment tentatively in CEE.⁶³⁹ Referring to CEE, dating back to May 2014, a half year after Xi Jinping proposed the BRI, CEE had expressed enthusiasm to take part in this initiative. By November 2017, all the 17 CEE countries had joined it.⁶⁴⁰ According to Sino-CEE joint statements, cooperation on connectivity and production dominates the agenda. In contrast with the Sino-EU joint statement, the Sino-CEE one passes over the issues of geopolitics and ideology, making them development-oriented and to China's appetite.⁶⁴¹ Therefore, as the gateway to the EU single market and the node between East Asia and Western Europe, CEE is bound to play a more significant role with the enhanced trans-Eurasian connectivity.

Given Greece's location as the bridgehead to enter the EU single market, China seems to prioritize infrastructure in Greece among the connectivity-oriented projects in CEE. In 2016, COSCO Shipping, China's largest and the world's fourth-largest shipping company, spent \$315 million to purchase a 51% stake in the Piraeus Port Authority (PPA), pledging to boost its capacity to 5 million TEUs through defining it as the transport hub between China and Europe. Under COSCO's management, the PPA's throughput increased steadily to 3.7 million TEUs in 2017 and was ranked 44th in the world.⁶⁴² The Hungary-Serbia railway from the Serbian capital Belgrade to the

⁶³⁹ Bastian, J., 2017. *The potential for growth through Chinese infrastructure investments in Central and South-Eastern Europe along the Balkan Silk Road*. European Bank for Reconstruction and Development, Athens/London; Gleave, S.D., 2018. *Research for TRAN Committee: The new Silk Route—opportunities and challenges for EU transport*. European Parliament, Policy Department for Structural and Cohesion Policies, Brussels; Vergeron, K.L.D., 2018. "The New Silk Roads: European Perceptions and Perspectives", *International Studies*, 55(4), pp.339-349.

⁶⁴⁰ The State Council of the PRC, "16+1" further marches to promote the BRI, http://www.gov.cn/xinwen/2018-07/09/content_5305039.htm.

⁶⁴¹ Ministry of Foreign Affairs of the PRC, The Medium-Term Agenda for Cooperation between China and Central and Eastern European Countries, https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t1318038.shtml; Ministry of Foreign Affairs of the PRC, The Sofia Guidelines for Cooperation between China and Central and Eastern European Countries, https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t1577455.shtml.

⁶⁴² Reuters, COSCO sees Greece's Piraeus among world's top 30 ports by 2018,

Hungarian capital Budapest is another flagship project, which is 350 km long and worth \$2.9 billion, serving the trans-Eurasian connectivity as well. This upgrade project, together with its southward extension, is designed to pass through Hungary, Serbia, Macedonia and Greece, linking Piraeus with Budapest, providing a quicker passage to the European hinterland. The China-Europe land-sea fast transport route running on this line has already been put into operation and saves 11 days, over one-third of the maritime freight time and is only four days longer than the overland CR express.⁶⁴³

As the emerging medium to associate East Asia with Europe more efficiently, the CR express is the incarnation of the enhanced trans-Eurasian connectivity. For supporting the surging CR express freight, China is expanding the relative infrastructures while CEE stands to benefit from its location as the gateway to the EU. Attracted by the CR express's prospect and China's investment, border countries like Finland and Lithuania and central countries like the Czech Republic and Hungary vie with one another to become the CR express hub in the EU.⁶⁴⁴ China also tentatively distributes traffic to the South Passage to embrace more countries. This railway-river combined route crosses the Caspian Sea and the Black Sea, providing flexible routes to enter the EU via Southeastern Europe. Moreover, thanks to the features of railway freight, the current point-to-point model is likely to be replaced by a hop-on-hop-off model, by which the CR express will link the nearby cities and embed them in a broader economic network to further unleash their potentials. All these endeavors seem to contribute to one result: the CR express will become the infrastructure of Eurasian economy and drive Eurasian

<https://www.reuters.com/article/us-greece-cosco-piraeus-idUSKCN11S268>; GTP Headlines, Piraeus Port Breaks Container Traffic Record, Up by 6.4% in 2017, <https://news.gtp.gr/2018/01/25/piraeus-port-breaks-container-traffic-record-up-6-4-2017/>.

⁶⁴³ People.cn, China, Hungary, Serbia and Macedonia come to agreements in constructing the China-Europe land-sea fast transport route, <http://politics.people.com.cn/n/2014/1217/c70731-26228166.html>; 21st Century Economic Report, The Hungary-Serbia railway starts construction, http://epaper.21jingji.com/html/2017-12/07/content_75896.htm; State-owned Assets Supervision and Administration Commission of the PRC, Focusing on specialty and extending industrial chain are the gist of "go global" strategy for enterprises, <http://www.sasac.gov.cn/n2588025/n2588119/c8909582/content.html>.

⁶⁴⁴ Ministry of Commerce of the PRC, Ministry of transport of Lithuania welcomes the CR express pass through Lithuania, <http://www.mofcom.gov.cn/article/i/jyl/m/201706/20170602587175.shtml>; 21st Century Economic Report, Connectivity accelerates the "16+1" cooperation, http://epaper.21jingji.com/html/2017-11/30/content_75459.htm; Kouvola Innovation, Rail Gate Finland – Efficient and Reliable, <https://www.liikennevirasto.fi/documents/20485/417835/Rata2018+Husu.pdf/89ab66a4-af9e-432a-b1ed-a9e102485fa2>.

integration, from which CEE is bound to substantially benefit, given its central position in the broader Eurasian economy.

In conclusion, rather than politicalizing Sino-CEE relations, China prefers to fully tap into CEE's geographical potential as the gateway to the EU single market. With enhanced connectivity featured by the CR express, CEE is destined to gain considerably from better Eurasian connectivity and forthcoming Eurasian integration.

8.4 Conclusion

To sum up, China's unyielding determination to be "the center of production" has made high-end manufacturing the clash point between China and the EU. To mitigate this fundamental contradiction, China has to reshape the common ground of interests with the EU. Principally speaking, China chooses to hedge the EU's antagonism by creating more shared interests in favor of the EU economically and politically. Economically speaking, China increases imports of goods and services and expands third-party market cooperation within the BRI framework. The boosted interdependence is expected to provide China with leverage to defend its own interests against the EU. In the BRI context, China tends to focus on infrastructures in CEE to enhance trans-Eurasian connectivity. Politically speaking, consistent with the greater strategic goal of de-Americanization, China is driven to take advantage of the "united front" principle to encourage the EU's diplomatic policy independence and strengthen its relations with the EU as a whole, instead of politicizing Sino-CEE relations to cripple the solidarity of the EU.

Chapter Nine: Conclusion

This thesis expounds on what is China's grand strategy and how the BRI helps China accomplish its grand strategic goals. Based on the analysis in the previous chapters, this thesis argues that the BRI should be defined as a well-crafted instrument to implement China's grand strategy, i.e., to become "the center of production and trade" and "a norm-maker" demonstrating development-oriented values and norms and UN-based legitimacy. By realizing these two topmost goals, China is hopeful of elevating its status in the global production structure and the global power structure, enabling China to strike a strategic balance with the US in a series of critical realms. The BRI can also create more shared interests between China and other great powers to stabilize their relations when China's expanding interests clash with their vested interests. Furthermore, the BRI heralds and serves the third transformation of China's grand strategy and diplomacy, seeking to "shape" instead of "adapting to" the international environment in material and ideological terms to speed up China's rise.

9.1 Chapters Overview

In the first place, it is necessary to review the main arguments of this thesis chapter by chapter. The First Chapter lays down the theoretical foundation for this thesis. Through conducting an in-depth literature review, this thesis suggests that most of the existing works are mired in a flawed logic that analyzes the manifold BRI from several given operations, instead of viewing it from a holistic perspective that examines how it serves China's grand strategy. In contrast, the grand strategy approach boasting a top-down perspective and holistic worldview allows scholars to get a coherent and comprehensive conclusion. Based on such a conceptual foundation, this thesis proceeds to examine the strategic culture of China. Being torn between glorious ancient history and humiliating modern history, China has developed a somewhat self-contradictory strategic culture. China is inclined to pursue "central position" titles and normative power, while its

entrenched suspicion of the West impels it to emphasize self-reliance and development, and sometimes be hypersensitive to the contradictions with the West.

Part One, the Second and Third Chapters, illustrates the internal and external factors shaping the grand strategy of China, aiming to build a conceptual framework to generalize the strategic actions of China in different realms in a consistent logic. In the Second Chapter, this thesis itemizes the objectives behind the grand narrative of China's pursuit: "the great rejuvenation of the Chinese nation". In brief, "the center of production" constitutes the cornerstone of China's grand strategy. Upon this, China is driven to develop itself into "the center of trade", by which China attempts to take the whole world as the market to accommodate its enlarging productive capacity and take its growing purchasing power and widening opening-up to leverage better bargains with other countries. Moreover, thanks to the technological and organizational progress, China seems to take the lead in a new round of globalization. Furthermore, because the absence of soft power has negatively impacted its overseas interest expansion, China is obliged to define values and norms in its interests. The "China Model" is selected as the principal instrument, which is designed to push forward China's development-oriented values and norms and performance-based legitimacy to hedge the overwhelming Western discursive power based on the Washington Consensus.

In the Third Chapter, this thesis argues that the US should be identified as the principal external constraint on China's grand strategy making. While questioning the legitimacy of the US-led LIO in which China is targeted, China seeks to restore the authority of the UN-led PIO in which it enjoys the highest ranking. As China's size is even larger than the total of the West, China is too big to be accommodated by the LIO and is bound to reshape the PIO in terms of power distribution. With the rise of China, China aims to make its status commensurate with its power while the US attempts to retain control of its prestige and leadership, which makes the Sino-US contradiction structural and leads to the "Thucydides Trap" to some extent. Regionally speaking, because the significance of East Asia for US homeland security and global leadership, the US

cannot stand by and allow China to acquire a status commensurate with its growing power in East Asia. The US forward-presence and “Rebalance” in East Asia have thwarted China’s ambition to integrate East Asia, which compelled China to turn its strategic orientation westward, finally evolving into the BRI. The US forward-deployed military and three “island chains” enjoy an asymmetrical advantage over the homeland defense capability of China, while the outstanding Taiwan issue and the US possible intervention are also palpable threats to China’s reunification. In this sense, given the vastness of the Western Pacific, China is prompted to develop a blue-water navy to deter US assertiveness for its homeland security and reunification, which can also be developed to be a global power-projection instrument.

Part Two, Chapters Four, Five and Six, discusses how China expands its interests with the BRI and builds a global production network centered on itself while decreasing US influence. In Chapter Four, this thesis argues that China is building up “the center of trade” with “better connectivity” in terms of “policy coordination” and “unimpeded trade”. Within the BRI framework, the China Railway Express, the China-Pakistan Economic Corridor and the China-Myanmar Economic Corridor lay a solid foundation for China’s westward opening-up and substantially improve the economic geography of Western China, which is projected to transform China into a “two oceans country” bordering both the Pacific Ocean and the Indian Ocean. In this way, China will place itself in the center of a Eurasian logistics network. Furthermore, the development and internationalization of Chinese logistics enterprises will cut down on freight while elevating the efficiency of global logistics based on a greater extent of competition and technological progress. As the “superstructure” of global logistics, the Electronic World Trade Platform echoes breakthroughs in the above-mentioned “economic bases”, which is designed for deepening global trade to an SME-to-SME, people-to-people level.

In Chapter Five, this thesis argues that China seeks to build a de-dollarized or RMB-denominated global supply chain which can considerably cut down the cost of building up “the center of production and trade”. As relying on the US dollar is both precarious

and counterproductive, China is obliged to make better use of its massive forex reserves to acquire upstream resources and energy and push forward de-dollarized trade. Thanks to Russia's support in the de-dollarized trade of energy and China's largest buyer and producer status, China intends to persuade other suppliers to accept de-dollarized trade. In terms of resources, China aims to acquire more upstream rights and exploit new projects to hedge market volatility and enhance its dominance in upstream supplies strategically.

In Chapter Six, this thesis argues that China attempts to be a norm-maker and promulgate a development-oriented approach of governance as the alternative to the Washington Consensus, which is titled schematically as the "China Model". The "China Model" represents the sovereignty-centered, development-oriented and performance-based norms and values of China, counterbalancing the neoliberal values and norms which, in this view, overshadow UN authority and the PIO. Realistically speaking, such norms and values are in favor of China's interests. As the BRI is characterized by heavy-asset and long pay-back terms, China calls for a stable environment and development-oriented values, which can considerably diminish the risks of China's investments. Moreover, as "the center of production and trade", China can internalize the positive externalities of global development through commerce, including enlarging demands, increasing infrastructure contracts and better forex applications. In addition, this thesis suggests that the process for China to take norms and the approach for China to make norms are both classical. The US withdraws from a series of international obligations and organizations, as well as its norm violations, further facilitate China's endeavors to be a norm-maker. Equally important, the role China aims to play is a norm-maker which tends to redefine some marginalized norms in its own interests, instead of a norm-killer plotting to replace all the existing norms.

Part Three, Chapters Seven and Eight, illustrates how China balances its expanding interests with the vested interests of other great powers. This thesis questions the inevitability of contradictions between them caused by the BRI, and in a broader sense,

China's rise. Subsequently, this thesis demonstrates how China aims to create shared interests with these great powers to outweigh their "loss". In Chapter Seven, this thesis contends that given the tradition of pragmatism and flexibility of India's diplomacy, the Indo-Pacific concept is unlikely to evolve into an anti-China framework. In a broader maritime competition context, the proposition of the Indo-Pacific concept indicates the US maritime encirclement of China when China's normalized presence in the Indian Ocean and the South China Sea challenges the US absolute control over the crucial Northern Indian Ocean-Strait of Malacca-South China Sea-Western Pacific SLOCs. So, in the Indo-Pacific framework, India is only designed to functionally serve US strategic demands. In fact, India tends to take advantage of its relatively neutral posture to reap benefits from both the US and China while promoting the India-centered regional strategy focusing on economy and trade in South Asia. Moreover, because India has prioritized promoting economic growth and elevating its global status as two overarching strategic objectives, China can find common ground with India in these two terms to create more shared interests, which is expected to mitigate Sino-Indian contradictions. Therefore, the development of Sino-Indian relations is positive in general, while the bilateral contradictions are manageable for the most part.

In Chapter Eight, this thesis argues that given China's determination to be "the center of production and trade", high-end manufacturing is bound to be the clash point between China and the EU. To mitigate this fundamental contradiction, China tends to reshape the common ground of interests with the EU by creating more shared interests in favor of the EU economically and politically. Economically speaking, China increases goods and services imports and expands third-party market cooperation within the BRI framework. The boosted interdependence and tightened connectivity lay down the foundation for a far-reaching Eurasian integration. Politically speaking, in line with the "united front" principle and de-Americanizing strategy, China is propelled to encourage the EU's policy independence, especially that of France and Germany, in order to prevent itself from being encircled by Western great powers and to undermine US global leadership.

Structurally speaking, this thesis is organized by a top-down logic. Chapter One builds the theoretical framework for this thesis while Chapter Two and Three construct the conceptual framework for analyzing China's grand strategy. Similarly, this conceptual framework which emphasizes both internal and external constraints can also be applied to other great powers. Based on these theoretical and methodological cornerstones, this thesis conducts research in a top-down approach. All the following chapters are about how China attempts to become "the center of production and trade", "a norm-maker" and strike a strategic balance with the US, functioning like the pillars of this thesis's main arguments. In other words, these chapters are like case studies while the first three chapters are theory. Additionally, for the countries especially discussed, such as India and Germany, this thesis adopts a grand strategy methodological framework to analyze their interests, so as to understand how China maintains its relations with them. Thus, though complicated and seemingly self-contradicted, the BRI and China's diplomacy can be interpreted in an organized and well-structured way through the top-down and grand strategy lens. Furthermore, based on the arguments in Chapter One, Chapter 6.3 further substantiates that a structural-realist-rational approach is the most appropriate methodology to decipher China's diplomatic actions and strategic objectives, given the fact that China even adopts more realist than putatively constructivist methods to make norms.

9.2 The BRI with De-Americanizing Implications

In addition to the summary chapter by chapter, it is more thought-provoking to conclude this thesis around the two overarching strategic objectives of China, i.e., to be "the center of production and trade" and achieve strategic balance with the US. Considering domestic affairs and diplomacy have been increasingly merged today, the two are accordingly more mutual-supportive and sometimes self-contradictory with regard to their objectives. To the former objective, domestically speaking, China is determined

to upgrade its industrial structure and gain mastery of “core technologies”, which is manifested by the ambitious “Made in China 2025” plan. Externally speaking, given the global market’s volatility and its huge demand for upstream energy and resources, China is driven to exploit and acquire more upstream rights to increase upstream supplies to stabilize prices. Meanwhile, for the purpose of scaling down the “risk exposure” to the US dollar and gaining better trade condition, China tends to trade upstream supplies in a de-dollarized way, such as barter or “energy for infrastructure”, and seeks to denominate it in the RMB, as it is doing with Russia in crude oil. In this sense, it seems that China is moving forward towards building a “global production network” centered on China and denominated in the RMB with the building up of the BRI.

With respect to the latter objective, China expects to reduce its reliance on the US-led LIO, remarkably in finance and security. China’s goal is also exhibited in its de-Americanized technological self-reliance, especially after the Sino-US trade war. Meanwhile, China attempts to reconcile relations with other great powers impacted by the BRI, in order to prevent itself from being encircled by them led by the US, or reach a “united front” with them on some given issues against the US. In terms of finance, China tends to trade in a de-dollarized way and disengage from the dollar-denominated financial market. In terms of security, given the growing hostility of the US, from the view of China, it is compelled to develop a blue-water navy and other countermeasures to fend off possible US strikes against its homeland, aiming to reach a strategic balance with the US in the Western Pacific. The assertive fortification of the SCS and the normalizing presence in the Indian Ocean somewhat indicate China’s will to challenge the US absolute control over the Northern Indian Ocean-Strait of Malacca-South China Sea-Western Pacific SLOCs, seeking to strike an “asymmetrical strategic balance” with the US to protect its fragile SLOCs and undermine US absolute sea power.

Moreover, the expansion of China’s interests with the BRI will inevitably collide with the vested interests of other great powers, such as India and the EU singled out in this

thesis. However, this thesis asserts that the “incompatibility of interests”, instead of the “collision of interests”, should be recognized as the main reason leading to intense conflicts. It has to be admitted that China’s expanding interests do compromise the vested interests of India, the EU and other great powers. However, as countries are in complex international surroundings and subject to various kinds of risks, one interest collision alone cannot change the track of diplomacy. As a matter of fact, countries are inclined to hedge an underlying threat, rather than confronting it in a tit for tat manner. In this regard, it is misleading to exaggerate the impact that the BRI brings about. Furthermore, China seeks to create more shared interests with other great powers to outweigh their possible loss with China’s opening-up market and growing purchasing power. On this point, “the center of trade” seems to grant more chips to China with which to bargain with other great powers so as to balance the impact of China’s industrial upgrade and import-substitution. Additionally, thanks to its role as the putative “center of trade”, China is better positioned to master “core knowhow”, grip “core resources/strategic assets” and push forward non-dollar or RMB settlement in upstream supplies.

Furthermore, although the BRI is bound to neutralize some given interests of other great powers, it can create more shared interests and form a “united front” between China and other great powers. On this point, the BRI is designed to balance China’s somewhat self-contradictory strategic objectives. For instance, in the face of US protectionism, China and the EU find a new common ground of interests in championing the WTO-based free trade mechanism and the liberal economic order in general. At the same time, China’s efforts at further opening its domestic market and calibrating to the norms of developed markets also pave the way for more profound Sino-EU cooperation. Additionally, based on the shared identity of developing countries, India seems to join hands with China to appeal for the international order reform for the interests of the Global South and non-Western countries, as well as elevating India’s global status, shown by India’s participation in the BRICS and the SCO. Therefore, thanks to the strengthening economic ties and the shared interests with other great powers, it is

feasible for China to build a “united front” against the US on some given issues, which undermines US global leadership and helps China strike a strategic balance with the US in some critical realms.

In terms of soft power and values, besides the influence of strategic culture, China's ambition to be a norm-maker is chiefly shaped by the US edge in discursive power. Being labeled as “revisionist” in the US-led LIO, China turns to restore the authority of the UN-based PIO and resorts to the UN as the source of legitimacy. China seeks to enshrine an alternative approach of development-oriented values and performance-based legitimacy, in order to counter the prevailing US discursive power endorsed by the neoliberal Washington Consensus and procedure-based legitimacy. Although China has made headway in these realms, the theoretical construction of the “China Model” demonstrates that China is still in the primitive stage. Nevertheless, such efforts are noteworthy as they indicate China's determination to shape an alternative set of values and norms by the BRI, which is likely to challenge the universalism of liberal values and norms and undermine US soft power in the long run.

Therefore, viewed through the lens of China's grand strategy objectives, the BRI appears to be imbued with strong de-Americanizing overtones, which can be regarded as the epitome of China's attempt to reshape its autonomy and move away from US influences. Through pushing forward the BRI, China is disposed to build a global production network centered on itself as the “economic base” for the “superstructure” in the international order more favorable to its own interests.

9.3 The BRI and the Third Transformation of China's Grand Strategy and Diplomacy

In a broader sense, the BRI symbolizes the third transformation of China's diplomacy and grand strategy, whereby China seeks to reshape the international surroundings more

in its interests and pursue global status and influence proportionate to its growing strength. In this way, China seems to move forward from Deng Xiaoping's diplomatic creed of "Taoguang Yanghui" (韬光养晦 hide our capabilities and bide our time or keep a low profile).⁶⁴⁵

Roughly speaking, Mao Zedong set the keynote for China's grand strategy from 1949 to 1978, characterized by the flexible but somewhat saber-rattling diplomacy, as China behaved assertively to deter possible invasions and sought a bigger influence than its national strength. In the Mao era, China had completed rudimentary industrialization and turned itself into a nuclear power, which enabled China to be ranked among the world's great powers. After Deng assumed office and kicked off the "Reform and Opening-up" in 1979, China reshuffled its diplomacy and grand strategy. As Deng turned to "Taoguang Yanghui", China's diplomacy had been shifted to a cooperative stance towards the West. Through the lens of industrialization, China left aside the high degree of "self-reliance" and took an active part in the global division of labor championed by the West as the factory of the world. Hence, Western demand, investment and technology propelled China's economy. In the liberal economic order, China gradually accumulated a substantial amount of forex and upgraded its industrial structure step by step. In terms of politics, China basically complied with and had been largely socialized by Western norms. Even though having suffered four "national humiliations" in the 1990s and the early 2000s, China still adhered to the LIO for development.⁶⁴⁶ In short, during this "Taoguang Yanghui" period, China's global influence was smaller than its national strength.

The proposition of the BRI in 2013 and its maturation signaled the third transformation of China's diplomacy and grand strategy. In terms of "economic base", China seems to

⁶⁴⁵ Some Chinese strategists argue that this translation is misleading, "hide one's capabilities and bide one's time", "hide one's light under a bushel" or "keep a low profile" may be more accurate. But all of them still somewhat lost in translations. Please see Xiong Guangkai, "The diplomatic meaning of Taoguang Yanghui's English translation", *Public Diplomacy Quarterly*, No.2, 2010, (熊光楷:《中文词汇“韬光养晦”翻译的外交战略意义》,《公共外交季刊》).

⁶⁴⁶ The Yinhe Incident in 1993, the third Taiwan Strait Crisis in 1996, the US bombing of the Chinese embassy in Belgrade in 1999 and the Hainan Island Incident in 2001.

organize a global production network denominated by the RMB, in which the productive capacity, technology and market demand of China play dominant roles. Domestically speaking, in 2015, China proposed the comprehensive “Made in China 2025” program that aimed to upgrade itself to be one of the major bellwethers in a series of critical technologies in the forthcoming fourth industrial revolution. Additionally, China has invested a substantial amount of resources in import-substitution, such as in the semiconductor industry, especially after the Sino-US trade and technological war since 2018. In this way, China makes headway to be a technological leader and the authentic “center of production”. Externally speaking, China chases after upstream energy and resources around the globe in order to secure its economic security and curtail the cost. Viewed from China’s \$114.7bn worldwide investments and construction since 2014 (till 2019) after the BRI was proposed, energy (\$332.6bn) and metal (\$65.2bn) came first and fourth. Within the framework of the BRI, these two figures reached \$256.3bn and \$50.5bn, accounting for 77% and 77.4% of the total investments in these sectors. In Sub-Saharan Africa, one-third of China’s investment (\$5.65bn of \$17bn) flowed to the metal sector while 15% (\$2.39bn) flowed to energy.⁶⁴⁷ Therefore, from the lens of industrialization, it is evident that China is no longer satisfied with the role of “processing plant” catering to Western demand with Western technologies and raw materials controlled by Western enterprises. Instead, for the purpose of running its economy at a lower cost and creating more higher-income jobs, China is impelled to promote import-substitution and cultivate “core technologies” as well as take hold of more upstream energy and resource supplies. In other words, China seeks to go beyond the role of “replaceable component” only contributing labor force to the liberal economic order, striving to elevate its status in the global production structure. Hence, China turns to pursue a de-Americanized “self-reliance” with “controllable” technologies and upstream energy and resource supplies, and a de-dollarized way of trade. As a result, US influence is expected to be marginalized in this process in the long run.

⁶⁴⁷ American Enterprise Institute, China Global Investment Tracker, <https://www.aei.org/china-global-investment-tracker/>. The second and third largest item were transport (\$252.4bn) and real estate (\$114.7bn).

In terms of “superstructure”, it has been increasingly evident that China is trying to shape an international surrounding more favorable to its rise, which can be regarded as the rights of great power from the lens of realism. From the outset, the BRI is built neither on common threats like NATO nor on common pursuit of higher standards like the TPP, but on common interests in development. Actually, the legitimacy of the BRI and China’s values and norms are mostly built on inclusive development. China attempts to build up its own discursive power on UN-based authority, development-oriented values and performance-based legitimacy, shrinking the overwhelming Western discursive power. In the China-led DFIs, such as the AIIB and the NDB, the norms and agendas are set in a development-oriented way, prioritizing infrastructure construction. In a broader sense, all the actions of China that seek to strike a strategic balance with the US have the potential to reshape the Western Pacific and the international order. From the view of China, these efforts are to reclaim the endowed rights of P5 great power in the PIO, which is the premise for playing a more constructive role in the world for China. From the view of the US, such efforts display China’s “revisionism” vis-a-vis the LIO and will undermine US global leadership. In this way, the BRI signifies that China intends to make a foray into some “exclusive” realms that used to be monopolized by the US, especially the absolute control of the critical SLOCs, the universalism of values and norms, and the denomination of energy and resources. In consequence, China and the US are locked in a zero-sum game in a series of realms to some extent. Therefore, given the structural contradiction between China and the US, the third transformation of China’s grand strategy and diplomacy is accordingly imbued with profound de-Americanizing implications while the BRI comes to be supportive of other actions to cripple US influence.

However, the third transformation of grand strategy symbolized by the BRI also subjects China to some contingent risks, in particular strategic overstretch. “The center of production and trade” calls for China to expand interests overseas to cultivate a broader market in order to accommodate its enlarging productive capacity while

acquiring more resources and energy for the purpose of hedging market volatility and secure economic safety. In practice, this makes the BRI an umbrella concept where every project seems to be related to it. This inflation conduces to a classical strategic dilemma that each interest seems indispensable for China's strategic objective and prestige but they are too widely-spread to be protected by China's influence. In this way, propelled by this kind of "strategic anxiety", China may unwittingly reinforce its presence in every precarious frontline of interests, ending in rendering the "strategic anxiety" a self-fulfilled prophecy. Furthermore, China's determination to be "the center of production" is bound to encroach on the interests of developed countries. As developed countries have taken the prime position in both the global production structure and the global power structure, they are inclined to boycott the BRI which may weaken their influence in the Global South and undermine their leadership in agenda and norm-setting worldwide. Therefore, developed countries are likely to sabotage the BRI, and in a broader sense, obstruct the elevation of China's status in the global production and power structure. In this regard, their resistance is predicted to aggravate the strategic overstretch of China, which will challenge China's diplomatic skills and strategic patience.

For these reasons, haunted by the anxiety of strategic overstretch, China has taken a series of measures to scale down the level of strategic pursuits and increase the transparency of the BRI. In general, the BRI is clearly defined as an "initiative" instead of a "strategy" in the Chinese official documents, which should be regarded as a joint effort based on win-win cooperation. China has been more responsive to the public, such as introducing a "debt sustainability framework" in response to the "debt trap" rhetoric, in order to enhance the BRI's transparency. China has also calibrated to some higher standards, such as the Green Investment Principles, which is supported by Deutsche Bank, UBS and HSBC, in order to mitigate the suspicions of the global financial industry.⁶⁴⁸ Moreover, owing to the inherent defects of the bureaucratic

⁶⁴⁸ Deutsche Bank, China's Belt and Road Initiative: A guide to market participation, https://cib.db.com/docs_new/DB_Belt-and-Road_Report.pdf, pp.17-18.

system, China's diplomacy is susceptible to "political achievements competition", inevitably giving rise to a series of "white elephant projects", thus obscuring the limits of China's power and interests. In this sense, China is impelled to introduce more private and foreign capital and third-party members to balance the "political achievements compulsion" of its bureaucracies. Based on such a more market and consensus-based way, China is able to delineate a more sustainable scope for the BRI in both economic and political terms, through which to decrease the risks of strategic overstretch. In this way, transparency and inclusiveness should be valued as the cornerstones for the diversity of contributors and sources of capital, which not only alleviates the capital and legitimacy shortage of the BRI but also mitigates the risks of strategic overstretch of China.

While enshrining "a community of shared future for mankind" as the topmost pursuit of its diplomacy, China has to balance its role as the leader and builder of "a community of shared future for mankind" and a nation-state. It is worthwhile to mention that the capital demand for the BRI is too massive for China to cover by itself. In specific, the annual funding gap for the infrastructure projects in Asia alone is estimated to be as high as \$1.7 trillion, while China's current proposed budget for the BRI is only \$1 trillion as a whole.⁶⁴⁹ In this way, China is driven to include other contributors to meet the capital shortage and China thus plays the role of "cornerstone investor". Moreover, as the means to assuage developed countries' opposition to the BRI and China's extending interests in other realms, China proposes to create more shared interests with them through third-party cooperation in the BRI, in which China promises lucrative and "light-asset" tertiary industry sections to them. As stakeholders, they can supervise the transparency and compliance of investors and constructors and local governments. Their participation can also provide the BRI with legitimacy endorsement and make it an international platform for global development rather than a self-indulgence for China. Furthermore, as the BRI can be successful and sustainable only when private capital

⁶⁴⁹ The National Bureau of Asian Research, A Concise Guide to the Belt and Road Initiative, <https://www.nbr.org/publication/a-guide-to-the-belt-and-road-initiative/>.

and enterprises run their businesses along the routes, the investments from the private sector become a critical indicator for the BRI, calling for China to play a more constructive role in sweeping away the obstacles to private investments. Meanwhile, as China's norms and values and legitimacy largely hinge on the development of the Global South, and China needs a wider global market to accommodate its growing productive capacity, China is impelled to adhere to the principles of transparency and inclusiveness in order to mobilize the available capital worldwide to invest in the BRI and global development.

In conclusion, the BRI has been devised to help China become "the center of production and trade" in material terms and "a norm-maker" in conceptual terms, which are the principal targets of "the great rejuvenation of the Chinese nation". The BRI also inaugurates the third transformation of China's grand strategy and diplomacy, attempting to shape an international environment more favorable to its interests actively instead of adapting to it passively. In general, China's ambition can be summarized as elevating its status in the global production structure and exchanging its stronger economic strength for a higher position in the global power structure. In other words, China seeks to expand its influence overseas horizontally and upgrade its industrial structure vertically. However, China's inflating interests legitimated by the UN-based PIO are bound to encroach on the vested interests of other great powers backed by the US-led LIO. As a result, China is obliged to create more shared interests with them to offset their loss. Furthermore, being haunted by the memory of "national humiliations", including the recent four suffered in the 1990s and the 2000s caused by the US, as well as the prevailing US military presence in the Western Pacific and US discursive power, China is prompted to pursue a strategic balance with the US mainly for defensive purpose. Meanwhile, as the weaker side, China also keeps in mind the possibility of resorting to assertive measures in some critical realms, such as the fortification of the SCS, to reach an "asymmetrical balance" with the US. As the contradiction between China and the US is largely structural, strategists on both sides have witnessed the aftermath of the "Thucydides Trap" in a wide range of realms, except for war. In this

way, the BRI conveys somewhat anti-Americanizing implications as China scales down its support for the US dollar and financial system, namely, to bypass the US in global trade, and proposes an alternative set of values and norms and development approaches with the BRI. As a result, decided by the development-oriented value and performance-based legitimacy and the anxiety over potential strategic overstretch, China has to enshrine transparency and inclusiveness in the BRI to embrace as many stakeholders and investors as possible to distribute risks and meet the capital shortage, through which to make the BRI move forward in a sustainable and commercial way.

9.4 Further Research Recommendations

This thesis contributes a relatively comprehensive theoretical framework for analyzing China's grand strategy to IR academia. Based on this framework, this thesis conducts researches on how the BRI and other complementary diplomatic actions serve China's grand strategy. Thus, the further research recommendations the writer would suggest are mainly related to China's grand strategy, the BRI, and related theories.

Firstly, this thesis uses a great number of statistics to demonstrate China's objectives and its determination to fulfill them. So, the writer would suggest researchers pay special attention to some critical indicators. For instance, the itemized import statistics of manufacturing is a sound parameter to calibrate the development level of China's manufacturing and the changes in these items, especially electronics and automobiles, are practical in measuring China's accomplishment in import-substitution and industrial upgrade. Meanwhile, the total imports by value and opening-up policies of China are constructive to gauge its persistence to globalization. These indicators help scholars interpret if China still adheres to the fundamental objective defined in this thesis, i.e., to become "the center of production and trade". Additionally, a similar methodology can be applied to the BRI. As the BRI and other diplomatic actions of China are in dynamics, given China's perseverance on them, it is also meaningful to renew available

statistics in a timely manner, in order to decipher China's latest intentions as well as test the effectiveness of the framework.

Secondly, this thesis argues that China's westward opening-up and economic expansion groundwork is supported by three pillars, i.e., the CR express, the CPEC and the CMEC. These geo-economic projects convey strong geopolitical implications, which have the potential to transfer China, a land power, into a sea-land power bordering two oceans and revive overland connections on Eurasian Landmass. This thesis has mentioned the putative game-changing effects of these projects, but has not spent enough content on them due to the word limit. Thus, the writer would suggest fellow researchers build a theoretical framework about them based on extensive geopolitical literature, which will be constructive for the broader BRI and geopolitical scholarship. Additionally, recognizing deficiencies in overland transportation and civil engineering difficulties, more studies on these realms would make this thesis's arguments more persuasive.

Thirdly, the gap between China's grand strategy making and implementation is worth delving into, which is also significant for grand strategy theory. The contribution this thesis makes to grand strategy research is constructing a conceptual framework to understand China's grand strategy, which is determined by realist-rational internal and external constraints principally and constructivist-conceptual preferences secondarily, and breaking down China's ultimate strategic pursuit into specific strategic objectives. Similarly, this thesis applies this methodology to analyze other great powers' strategic objectives to figure out what are the shared and conflicting interests between China and them, which is essential for grand strategy implementation. This thesis has noted that a process of adaption, i.e., applying designed strategies into realities and altering them reactively, is a critical variable in grand strategy theory, which connects grand strategy making with implementation and conceptual framework with global realities. Other than the adaption, the inevitable "frictions" in the bureaucratic system, quoted Carl von Clausewitz, also hinders designed strategies from being fully and smoothly executed. However, due to the word limit, this thesis has not paid much attention to theorizing the

adaption process. Also, due to the confidentiality of documents and the novelty and dynamics of the BRI, this thesis can hardly find out the frictions in China's bureaucratic system based on available primary and secondary literature. Therefore, the writer would suggest fellow researchers theorize the adaption process to bridge grand strategy making and implementation. In addition, given the fact that China has a strong and stable "leadership core", a centralized and well-structured bureaucratic system and a relatively clear strategic roadmap, theoretically, the case of China is ideal for scholars to research the gap between grand strategy making and implementation. Specifically, the BRI projects across half of the world, which have more statistics disclosed, provide scholars with plentiful case studies to conduct qualitative research or even quantitative research with databases on the gap and frictions.

Fourthly, based on the judgements that the Sino-US contradiction is structural while the Sino-EU and Sino-Indian ones are predicted to aggravate but still generally manageable, this thesis argues that China intends to create more shared interests with the EU and India, so as to offset their compromised interests caused by China's interests expansion. Based on the grand strategy approach, this thesis interprets the grand strategic objectives of the EU, Germany, CEE, other European countries, and India, illustrating what China can do to cater to their core pursuits. This thesis contends that China seeks to build a "united front" with these powers on some given issues to hedge the US and compromise its predominance. In theory, such a circumstance can be conceptualized as follows: the second powerful state in the international order, B, which has structural contradictions with the most powerful one, A, seeks to build makeshift alliances with other great powers, Cs, on the issues which B and Cs share common interests against A. In addition, as B's rise also compromise Cs' interests, B tends to cater to Cs' core interests to prevent itself from besieging by A and Cs. This is an inventive topic in power transition theory, which will be further complicated by adding a constructivist or ES dimension that B's ideology and identity are different from other actors in the order. Therefore, the writer would suggest fellow scholars theorize the approaches China adopts to maintain its relations with other great powers, which will be helpful for the

evolution of power transition theory. Conducting such researches with both the realist and constructivist approach is expected to be more fruitful.

These four points are the writer's major recommendations on further research for fellow scholars who are interested in grand strategy, geopolitics, power transition, the BRI and China's diplomacy. The in-depth works on these topics would be constructive for IR theories and China studies.

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